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The Nicaraguan Crisis

RICHARD FAGEN

Financial Instability: Where Will it all End?

PAUL SWEEZY
HARRY MAGDOFF

What Price Freedom in America?

DON QUINN KELLEY

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NOTES FROM THE EDITORS

In this space in last month's (October) issue we wrote that as of mid-September early returns from the 1982 MR Associates appeal letter were gratifying, adding: "It is of course much too early to draw conclusions, but it begins to look as though our present financial bind will be considerably eased if Associates' contributions continue to come in at the present rate." Now, in mid-October, we can report that results for the first full month of the 1982 Associates appeal, i.e., through September, bear out this initial optimism even more impressively than we had dared hope. Here are the essential numbers:

Increases, September 1982
Compared to September 1981

Members	24 percent
Contributions	27 percent

These gains are the more encouraging since the first month after the issuance of the appeal is always the most productive of the year.

(continued on inside back cover)

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THE NICARAGUAN CRISIS

BY RICHARD FAGEN

In Nicaragua, 1982 is officially the "Year of Unity Against Aggression." Unofficially, it is the year of difficulties, contradictions, and—in many ways—the radicalization of the Sandinist revolution.

There is more than ample reason for the official characterization. Beginning with the electoral rhetoric of Reagan and his advisers, there has been an unremitting campaign on the part of the current U.S. administration to make life difficult and costly, if not impossible, for the Nicaraguan revolution. Although the accusations have varied in tone and detail, more recently the claims that Nicaragua is "totalitarian"—or rapidly moving in that direction—and a "platform of terror and war in the region" have been used to justify a program of diplomatic and economic pressures and covert action against Nicaragua.

Washington's ultimate goal is not entirely clear. Undoubtedly, some U.S. officials dream of the day when Edén Pastora, the ex-Sandinist commander, will march triumphantly into Managua at the head of a "liberating army." Others may harbor no such illusions, but nevertheless feel that with the right mix of finely tuned pressures it will be possible to tame and de-radicalize the revolution. Yet others may coldly calculate that a more radicalized and Soviet-oriented Nicaragua is a much-to-be-desired outcome. Only then, with Nicaragua as "proof" that the Soviets and Cubans are the real masterminds and beneficiaries of dis-

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content in the region, will it be possible to mobilize the public opinion, dollars, and firepower needed to destroy other revolutionary movements in Central America.

But whatever Washington's hopes, Nicaraguan realities are both more complex and less easily manipulated from outside than its enemies would like to believe. Not surprisingly, the complexities are rooted in the extremely serious economic difficulties facing the revolution—difficulties which at first glance seem almost insurmountable. But the revolution also has significant strengths stemming from its capacity to organize and reorganize the economy and society in response to challenges and threats.

This capacity is at the heart of the revolutionary paradox. On the one hand, a fundamental social transformation of the sort underway in Nicaragua creates a range of problems over and above those encountered by other poor societies. On the other hand, however, this process of transformation also unleashes energies and resources not available to elites in non-revolutionary situations. The revolution is simultaneously both a problem-maker and a problem-solver. The men and women who with so much courage and tenacity defeated Somoza and his allies understand this. They will not easily abandon what was so dearly won on the battlefield—the right to commit their own mistakes, determine their own future, and ultimately to make the basic transformations so needed in Nicaraguan society.

After the Deluge

In May of 1982 the heavens opened up and western Nicaragua was hit with the heaviest rains in decades. The floods that followed swept away highways, bridges, houses, crops, and people, causing damages estimated by the United Nations at more than $350 million, equal to 70 percent of the value of all Nicaraguan exports for 1981. Little wonder that religious members of the opposition to the Sandinists claimed that the same God who sent the 1972 earthquake to punish Somoza had now sent the floods to punish the revolutionary government.

Even before the floods, however, the economic situation of Nicaragua was very serious. The balance sheet of its open, agro-exporting and energy-importing economy was already disquiet-

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ing. Despite the fact that Gross National Product grew at better than 8 percent in 1981, total exports barely topped $500 million, while imports edged up toward a billion (an underestimation of their true costs since official import figures do not include almost $200 million in freight, licenses, insurance, and other associated expenses). The year-end negative balance on the current account was over half-a-billion dollars, inflation was officially calculated at 24 percent, and unemployment was beginning to rise.*

For 1982 the panorama is much darker. Post-flood estimates of expected growth for the year vary between zero and one percent. Inflation will surely be higher than in 1981, exports will be lower, and imports will drop as foreign exchange shortages become ever more acute. As imported inputs for manufacturing and agriculture become scarcer and economic activity slows down, unemployment—particularly in urban areas—will increase. Wages and purchasing power in general will not keep up with inflation, so levels of consumption will decline. The shortage of foreign exchange will intensify already serious problems of transport and the maintenance of existing services in everything from health to education. In sum, Nicaragua's still largely capitalist economy is subject to and is being assaulted by the same cyclonic winds now buffeting other small dependent nations. All are in a struggle to survive in a world of increasing indebtedness, high interest rates, declining terms of trade, rising energy prices, regional strife, and global recession.**

If we add to this scenario some basic structural characteristics of the Nicaraguan economy, the situation appears even more complex and potentially difficult. Although about 40 percent of Gross Domestic Product is generated in the state-owned sector of the economy, about 73 percent of all productive activity is still in private hands. In agriculture, which accounts

*For a detailed and careful analysis of flood damage, implications for the Nicaraguan economy, and other relevant data, see United Nations, *Nicaragua: The Floods of May, 1982, and Their Implications for the Economic and Social Development of the Country* (Economic Commission for Latin America, July, 1982).

**A comparison with neighboring Costa Rica is instructive. With a slightly smaller population, Costa Rica in 1981 had twice the inflation, a higher total foreign debt, and a slightly higher negative balance on its current account than Nicaragua. Costa Rica also registered a negative growth (−1.5 percent) in GNP for 1981.

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for over 70 percent of all exports, an even higher percentage of productive assets is in private hands—almost 86 percent. Nicaraguan development, and particularly export performance, is thus highly dependent on the behavior of capitalists, both large producers and small.

In this context, the Sandinist state must necessarily play a double game. On the one hand it must give sufficient incentives, opportunities, and security to these producers. It must treat them like the capitalists they are. In fact, it must actually "overincentivize" them, because to the normal uncertainties of the market are added uncertainties generated by the revolutionary process itself. On the other hand, the state must also ensure sufficient benefits and dignity to both urban and rural workers. It must honor its vow that this is a revolution of workers and peasants, a revolution for the majority.

Under the best of circumstances, it would not be easy to run a mixed economy of the sort being attempted in Nicaragua. And in a country not yet fully recovered from the war of 1978–79, still very underdeveloped technologically and managerially, under assault by its huge neighbor to the north and by counterrevolutionaries much closer to home, it seems a Herculean task.*

The World to the Rescue?

The Sandinist leadership has no illusions about the possibilities of eradicating in a few years the unequal relationships and developmental weaknesses that were centuries in the making. Thus Nicaraguans do not speak of the possibility of ending dependency but rather of the necessity of "diversifying dependency." This means receiving technology (including weapons) from Western as well as Eastern countries. It means vigorous attempts to break away from the political and economic hegemony of the United States, so long the dominant actor in Nicaragua's international—and often domestic—relations. But

*The United Nations estimated that in the period 1977–79, direct war damage to infrastructure, plant, and inventories was $480 million. Approximately 50,000 Nicaraguans were killed, and another 100,000 wounded (out of a total population of about 2.5 million). Hundreds of millions of dollars more were lost in crops not planted or destroyed. Capital flight of at least $1.5 billion further damaged the economy during this period. So serious was the disruption that by the end of 1981, real per capita income was still 25 percent below what it had been at the end of 1976, the last "normal" year.

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perhaps most importantly, in this period of economic crisis, diversifying dependency means searching for as much foreign aid from as many different sources as possible.

In search of this aid—and international solidarity in general—representatives of the government of Nicaragua must by now have broken the small-country record for hours spent in airplanes flying from one capital to another. In April and May of 1982, for example, Sergio Ramírez of the governing Junta and other high officials visited 12 countries in Western Europe. During the same period, Commander Daniel Ortega of the Junta and Commander Henry Ruiz, the Minister of Planning, were in the Soviet Union. During these same two months, other officials traveled to the United States, Germany, Bulgaria, Brazil, and Argentina.

By July 19, 1982, the date of the third anniversary of the triumph of the Revolution, the leadership would look back on this vigorous effort with substantial satisfaction. In three years, almost $1.5 billion of new loans, credits, and donations had been secured. Much of the old debt contracted during the Somoza period had been renegotiated on favorable terms, and the new debt was quite well distributed across various countries and institutions: about 39 percent had been contracted with multilateral organizations, 18 percent with the United States and Western Europe, another 18 percent with Latin America, 17 percent with the socialist countries, and 8 percent with Libya. The announced policy of "walking on four legs"—Latin America, Western Europe, the socialist bloc, and Arab oil exporters—seemed to be working.

But the big question had by then become: Would it continue to work? Much more aid was needed if Nicaragua's short- and medium-term foreign exchange crisis was to be met. The country's total public foreign debt had edged up to almost $2.5 billion, one of the highest per capita in Latin America, helping to make Nicaragua substantially less attractive as a credit risk than it had been less than a year earlier. Furthermore, the vigorous campaign being waged by enemies of the Revolution, both Nicaraguans and others, was straining relations with at least some previous supporters in Latin America and Western Europe.

Thus in the near future "walking on four legs" may well become "limping on two." Not only pessimists were suggesting

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that the following self-reinforcing spiral might be beginning. To the extent that support from Latin America and Western Europe becomes problematic, the necessity of turning to the socialist bloc becomes more urgent. But the closer Nicaragua's relations with the socialist bloc, the more problematic further support from Western Europe and Latin America becomes.

The more conventional response to a foreign exchange crisis of the sort that Nicaragua is now suffering is, of course, to turn to the International Monetary Fund. Removing restrictions on the operation of market forces both internationally and domestically, reduction of public expenditures, and devaluation are typical components of an IMF-imposed program of "recovery." It is difficult to imagine, however, that the government of Nicaragua would accept such conditions—with their clear implications of subordination and distortion of revolutionary priorities—in exchange for a loan. As one planner said to me, "We are not about to sell our revolutionary birthright for a mess of IMF pottage."

If an IMF-imposed solution is not probable, and if walking on four legs—much less limping on two—cannot fully address the profundity of the crisis, what then is the answer? Whether planned or unplanned, Nicaragua is headed for a period of austerity deeper and longer than anything yet experienced in more than three years of revolution. The key questions thus become: How will this austerity be distributed and experienced in Nicaraguan society, and what will be its political consequences?

The Price of Squash

A visitor to Nicaragua soon becomes aware of opposition to the revolutionary government, for among the Reagan administration's many falsehoods about Central America, none is more gratuitous than the characterization of Nicaragua as "totalitarian." A vast array of political, social, and cultural forces are at work in the country. Professional and business associations in deep disagreement with government policy meet openly and protest loudly. Opposition political parties, although not able to mobilize wide popular support, are nevertheless active and vocal. The opposition trade-union movement is small but vigorous. The Catholic Church, some of whose members are sup-

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portive of the Sandinist revolution and some of whom are in opposition, continues as a major cultural and political force. A multitude of Protestant sects flourish. Private schools, both religious and secular, remain open. Even in the state of emergency decreed in March as a result of multiple threats from the Reagan administration and the constant incursions of ex-National Guard members across the border from Honduras, the opposition newspaper *La Prensa* continues to publish—albeit under the censorship which is also applied to other publications. And certainly in the streets, markets, churches, bars, and buses of the country one hears plenty of openly voiced complaints and criticisms—hardly what one would expect in a "totalitarian" society.

In this context of debate, criticism, and economic difficulties, the first half of the revolutionary paradox mentioned earlier operates with a vengeance. Not only do people look to their government for improvements in living and working conditions—thus creating expectations that are very difficult to fulfill in a situation of scarcity—but the relatively permissive political climate presents ample opportunities to those who wish to embarrass or discredit a revolution whose accomplishments inevitably fall short of popular expectations in many areas.

Thus, in an inflationary economy, where real purchasing power is declining, every trip to the market is an opportunity to hear and perhaps to internalize messages which assault the prestige of the revolution. That things are much worse in Costa Rica is not important or even known to the Nicaraguan shopper buying vegetables. The point of comparison is much closer to home: last month a squash cost one *córdoba*, and this month it costs one-and-a-half. Who is to blame?

At this point, however, the second half of the revolutionary paradox comes into play. Just as the revolutionary process creates certain problems (unfulfilled expectations, disruptions in production and distribution), it also creates special opportunities and new resources. Ideally, at least, the FSLN should be in a position to fight back, not only ideologically, but also in the distribution of real benefits.

As a successful example of the latter, the massive literacy crusade of 1980 is outstanding. In only five months, illiteracy was reduced from almost 50 percent to about 13 percent.

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Additionally, during this period hundreds of thousands of Nicaraguans working as temporary literacy instructors received their first real taste of what life in the most backward sectors of their own nation was really like. Unfortunately, however, both individuals and whole segments of society tend to forget the long-term material and moral benefits of such revolutionary undertakings when confronted with expensive squash.

Over the long run, victories for the Revolution in the ideological struggle depend on the effective functioning of the Sandinist National Liberation Front. Here the Reaganite view of the iron hand with which the FSLN rules Nicaragua is totally misleading. It is true that at the level of macro-political decisions the FSLN is in command. But at the day-to-day, grass-roots, organizational level needed to educate and mobilize the population to confront problems in the revolutionary process, it is actually quite weak. This is equally true in the affiliated mass organizations of women, youth, urban and rural workers, and even in the Sandinist political party-in-the-making.

In part the organizational thinness of the FSLN and affiliated mass organizations is to be expected, given the relatively short time since the victory over Somoza and the fact that the FSLN was initially organized to do battle against the tyranny, not to govern. But the current grass-roots organizational weakness of the FSLN also reflects the legacy of 46 years of despotic rule. At the time of Somoza's defeat, Nicaragua basically had only a political culture of opposition, and a very narrow and undemocratic political culture at that. Thus, the revolution quite literally must create a citizenry with the skills, attitudes, and experiences appropriate to participatory politics. It must do battle against apathy, suspicion, the sub-culture of corruption that characterized the Somoza years, and against dogmatic tendencies and errors committed by the *Frente* itself. In this situation it should come as no surprise that the revolutionary government is not always well prepared to explain the price of squash — or for that matter to counter the criticisms and often the outright lies that emanate from certain sectors of the Catholic hierarchy, the private sector, the opposition press, and Washington, D.C.

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Countryside and City

I talked to Sandino
And he told me
That you don't have to be big
To fight against the enemy.

If it weren't for Sandino
And the revolution
I wouldn't be singing
My humble little song.

—Verses written by a Nicaraguan peasant

To travel in the Nicaraguan countryside is to enter a world very different from the cities, particularly from the capital city of Managua. The peasants, rural workers, and even many of the private producers are more solidly with the revolutionary process than most urban dwellers. In part this reflects an agrarian reform that is both sophisticated in design and administered with honesty and substantial efficiency. Combining direct land grants to peasants, the establishment of cooperatives, state ownership of certain large production units (primarily those confiscated from Somoza and his followers), and incentives to private producers, the reform has been one of the most successful revolutionary programs.

Rural support for the revolution also draws strength from the comparisons which most peasants and rural workers make with the wretched conditions under which they previously lived. Not to be insulted and kicked around by the overseer and not to be cheated on payday (or in the boss's store) represent a vast improvement over what prevailed just a few years earlier. A peasant may not be making much more money or living in better housing, but he or she is probably now at least marginally literate and is for the first time being treated like a human being.

Additionally, almost everywhere in the countryside the multiple irritations that perturb urban dwellers, from food prices to crowded buses, are less immediately felt. When food is grown locally, and when most simple folk have always walked or ridden horses, high prices and shortages have a different meaning. "We can get by" is a rural, not an urban, response.

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Substantial rural support for the revolution is also, somewhat surprisingly, to be found among the thousands of small and medium-sized landowners who produce most of the cotton, coffee, and other agricultural commodities that constitute the bulk of Nicaragua's exports. Many such producers are, of course, deeply distrustful of the revolution. Many hold investment to a minimum, producing only what is necessary to keep their farm or ranch from deteriorating or being nationalized under the "idle lands" provision of the agrarian reform law. But others, realizing that they quite literally have no place to go, respond to the credit and marketing incentives provided by the government. If they encounter a consistent set of problems in trying to produce in the Nicaraguan mixed economy, those problems are more likely to derive from the acute shortage of foreign exchange which affects all sectors than from their political differences with the revolutionary government.

In his Worker's Day speech on May 1, 1982, Commander Tomás Borge, the only surviving member of the group that founded the FSLN in 1961, emphasized that workers were "correct to continue demanding their economic rights." He also added, however, that their first responsibility is to consolidate revolutionary power—implying that in these difficult times salaries are going to have to take a back seat to other national priorities. At this massive May Day rally in Managua, Borge was literally and figuratively speaking to the urban population, for it is in the city-based activities of manufacturing, services, and government that Nicaragua's economic difficulties are and will continue to be felt most acutely. It is also in the cities that unemployment translates most immediately into hardship and discontent.

How the balance between countryside and city, between support and opposition to the revolution, will play itself out over the next months and years is impossible to predict with any accuracy. As noted earlier, much will depend on the organizational capacity and the political skills of the FSLN. But what *can* be predicted with a high degree of certainty is that Managua will continue to provide more than its fair share of problems, as well as the lens through which most outside observers will view the Nicaraguan revolution.

It is in Managua that the major opposition leaders who are

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still in the country hold forth. It is there that visiting journalists make their contacts and assess "public opinion." It is in the capital that a political confrontation or a police action is immediately known and given meaning—or many meanings. Thus the city plays its many roles: stronghold of the old and often anti-revolutionary culture and values, generator of problems that are both different from, and often more intractable than, those of the countryside, amplifier and broadcaster of these problems to the rest of the nation and to other nations as well. No wonder one frustrated municipal official said, only half in jest, "What we really need around here is another earthquake to get rid of what the quake of 1972 left standing."

The Struggle Continues

In Nicaragua today, class struggle is not simply some dusty Marxist concept; it is an everyday reality. Political power has passed from the Somocistas and what allies they had among the middle and upper classes to the FSLN and other revolutionary organizations speaking in the name of *las clases populares*—the majority of Nicaraguans who never before had a voice in how or for whom their country was run. This process is neither easy nor is it complete. The interests of the wealthy and comfortable are inevitably hurt, or at least deeply threatened; social tensions not allowed expression under the old order now surface and are given voice in streets and workplaces. It cannot be pleasant for middle-class families to hear the common folk marching through their neighborhoods chanting revolutionary slogans which promise the end of the old class-based system of power and privileges.

In revolutionary Nicaragua, as would be expected, class struggle reflects very directly the way in which economic power is related to political power. This relationship is very different from what would be found in either a fully developed capitalist economy or its socialist counterpart. In either case, a high degree of congruence between economic and political power would be expected. But in Nicaragua, such is not the case. The mixed economy depends on very substantial participation by the private sector, but at the same time this sector has only minority participation in the political system. (The expression "private sector" refers to medium and large capitalists who find

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their most organized expression in COSEP, the Higher Council of Private Enterprise. Technically, private enterprise includes everyone from the smallest peasant producer to the owner of the largest factory. COSEP, however, represents only the upper reaches of this pyramid.)

There are two related sources of tension embedded in this state of affairs. First, the social classes represented by or affiliated with the private sector resent the fact that they neither have nor are going to get the political clout which they feel their economic role entitles them to. Second, since most of the private sector still remaining in Nicaragua was either neutral during the insurrectionary period or openly anti-Somoza, many of its members feel that in addition to their economic claims on power, they also have claims based on their opposition to the dictator. But all of this argumentation matters little, for a self-proclaimed government of the *clases populares* is not about to shape its new institutions to suit the desires of classes which are numerically in the minority and whose overall average income is perhaps 20 to 30 times higher than that of the impoverished majority.

This understandable intransigence on the part of the FSLN has important implications for the way in which the current economic crisis had been and will be handled. Every effort will be made to soften the blows that fall on the mass of the citizenry. If petroleum products have to be rationed, it is the owners of private automobiles (a small but vocal fraction of the total population) who will feel the pinch most acutely. As food becomes scarcer and more expensive, it is the supply and distribution of rice and beans that will receive first priority. As complaints and dissent mount, it is the voices of the poor that will be listened to most attentively.

There is, in this dynamic, a high probability that class tensions will rise. As tougher and tougher public-policy choices have to be made—accelerated by shortages of foreign exchange and the resultant economic slowdown—grist for the opposition mill will be produced in abundance. Those sectors of the Church hierarchy, the press, and private enterprise that are already highly critical of the government will become even more resentful. Their voices will be listened to avidly not only in Washington but in some other capitals around the world. In official circles in

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Managua, the temptation to shut them up, by whatever means necessary, will increase.

The economic crisis thus implies a reaffirmation and deepening of the class character of the Nicaraguan revolution. Almost by definition it also implies a radicalization of the revolution—understood as a quickening of the pace at which the economy is moved away from the market orientation which still guides most of its operations. The management of scarcity in favor of the *clases populares* cannot be left to the vagaries of the market, or to capitalists, large or small. As producers, private entrepreneurs may still retain an important role, but priorities with respect to production, prices, distribution, and much else will increasingly be determined by the state. Both as capitalists and as consumers, the private sector is going to see its opportunities diminish.

Imperialism's Many Faces

On the eve of the third anniversary of Nicaragua's liberation from Somoza and the National Guard, sporadic military confrontations flared into heavy fighting in the northeastern corner of the country. Bands of well-armed and well-coordinated "*contras*"—as active opponents of the revolution are called in Nicaragua—were engaged by units of the Sandinist armed forces. In the first battles, more than three dozen Nicaraguan soldiers lost their lives. Subsequently, many more were killed and wounded.

The area in which these clashes took place extends 80 miles south of the border with Honduras and forms part of the traditional homeland of the Miskito Indians. Early in 1982, repeated raids by *contras* based in Honduras forced the Nicaraguan government to relocate almost 10,000 Miskitos from the Río Coco area into new settlements farther to the south. Other Miskitos moved north into Honduras. The relocation was, in essence, a military operation. Fear and hostility swept through the indigenous population, and an already difficult situation on the northern Atlantic coast became even more difficult.

For the Reagan administration, which had given aid and encouragement to the *contras* as well as support to dissident Miskito spokespersons, the forced relocation was heaven-sent.

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An avalanche of outright falsehoods followed. Jeane Kirkpatrick accused the Nicaraguan government of "genocide." Alexander Haig waved a picture of burning bodies before the television cameras to "prove" that the Sandinistas were slaughtering Miskitos.* An administration that in Guatemala supports a military establishment that systematically destroys whole villages and assassinates hundreds of indigenous persons, suddenly transformed itself into the defender of Indian rights in Nicaragua.

What emerges most clearly from events in northeastern Nicaragua is the determination of the Reagan administration to attack the Nicaraguan revolution whenever an opportunity can be found or created. We may never know with any certainty the degree of CIA involvement in the sowing of dissent among the Miskito and the training and arming of the *contras* who first crossed the border to terrorize the people living along the Río Coco. But what is evident is that once the dynamic of relocation, distrust, and militarization began, the possibilities for both propaganda and covert operations multiplied rapidly. Who in Nicaragua would believe that the Reagan administration is not fishing in these troubled waters—or, for that matter, training and releasing sharks? Would a country whose marines occupied Nicaragua almost continuously from 1912 to 1933—and then left the Nicaraguans to the tender mercies of the Somoza family and the National Guard—hesitate to train and support the *contras*? Would an administration that from the earliest days of its presidential campaign systematically attacked the Sandinistas pass up the opportunity to agitate among the Miskito?

As in the northeast with the Miskito, so too in the cities and countryside of the rest of Nicaragua, as well as in Honduras, Costa Rica, Washington, New York, Florida, and elsewhere. The battle against the Sandinists is waged in Congress, in multilateral lending agencies, international organizations, the press, European and Latin capitals, and in the training camps for *contras*. In fact, wherever the many difficulties and vulnerabilities of the Nicaraguan revolution present an opportunity, some arm or mouthpiece of the U.S. government is sure to be found on the offensive, with words, pats on the back, blows to

*This photograph was later revealed to be a picture of victims of Somoza's National Guard, taken four years earlier.

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the abdomen, dollars, or equipment designed to do as much damage to the Sandinists as possible.

When asked why this policy is being pursued, officials of the Reagan administration give a variety of answers. But when pressed, the U.S. Embassy in Managua answers consistently that U.S. hostility derives from the aid and comfort being given by the Sandinists to the guerrilla movement in El Salvador. Without doubt, some aid and comfort do flow from Nicaragua to opponents of the Salvadoran regime. How much and in what form remains an open question, since the original evidence offered by the U.S. government in 1981 was extremely flimsy and no additional evidence has been forthcoming (the Embassy says that such evidence exists but cannot be made public, because to do so would jeopardize intelligence sources).

It is difficult to believe, however, that the El Salvador question is the driving force behind the imperialist assault on the Nicaraguan revolution. The hostility is too deep, too consistent, manifested in too many ways, and pursued too aggressively for this to be the case. At least from Nicaragua, it seems clear that this administration, no matter what Nicaragua's relationship to El Salvador, is seeking nothing less than the overthrow of the Sandinist government. If this can be accomplished "peacefully" through destabilization in the context of severe economic difficulties, so much the better. But if military measures are necessary, that is acceptable too, for the fighting and dying will be done by Nicaraguans and others from the region, not by North Americans.

Even a few days spent in Nicaragua suggest both the futility and the criminality of this policy toward the Sandinist revolution. Not only are the Nicaraguan armed forces and militia growing stronger every day, but with each Nicaraguan killed by the *contras* one can feel the determination to resist outside pressures. Of course, if the country is subjected to an extended period of severe military threat and aggression, important changes will undoubtedly take place. The space allowed to opposition voices would shrink and perhaps disappear altogether. The economy would go on a war footing. But none of this would mean the end of the Sandinist revolution, only its transformation.

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If the futility of this approach to the revolution is obvious, its immorality is even more evident. With all of its faults and problems, the current government of Nicaragua is the first in the country's entire history that genuinely attempts to improve the living and working conditions of the majority of citizens. Housed in shacks, poorly fed, often without electricity, running water, health or educational facilities, most Nicaraguans have no future outside the revolution, and certainly no future under renewed American hegemony. As a peasant receiving the land title for a newly organized cooperative said, "Neither the imperialists nor the Somocistas ever gave us land, and we aren't going to give it back or let any of them return."

In sum, for most Nicaraguans what the Reagan administration promises is not "liberation" from Sandinist rule, but rather more hardship, more strife, and possibly a great deal of bloodshed. And all of this for a people who have already had more than their share of hardship, strife, and bloodshed. Little wonder that even Nicaraguans highly critical of the Sandinists fear Washington's policies. They too understand that if their country is again consumed in war they and their sons and daughters will be the ultimate losers. They too understand the bankruptcy of U.S. policy toward Nicaragua. Nevertheless, yet again a U.S. administration is desperately trying to make the history of another nation conform to its own interests and prejudices.

If the American people had not been dulled to justice and the elementary rights of humanity, they would not so easily have forgotten their own past, when a handful of ragged soldiers marched through the snow, leaving bloody tracks behind them, to gain their liberty and independence. If their consciences had not been hardened by materialistic enrichment, the Americans would not have forgotten so easily that a nation, sooner or later and however weak it may be, will obtain its liberty, and that each abuse of power hastens the destruction of those who employ it.

-General Sandino, in an interview with Carleton Beals for *The Nation* (1928)

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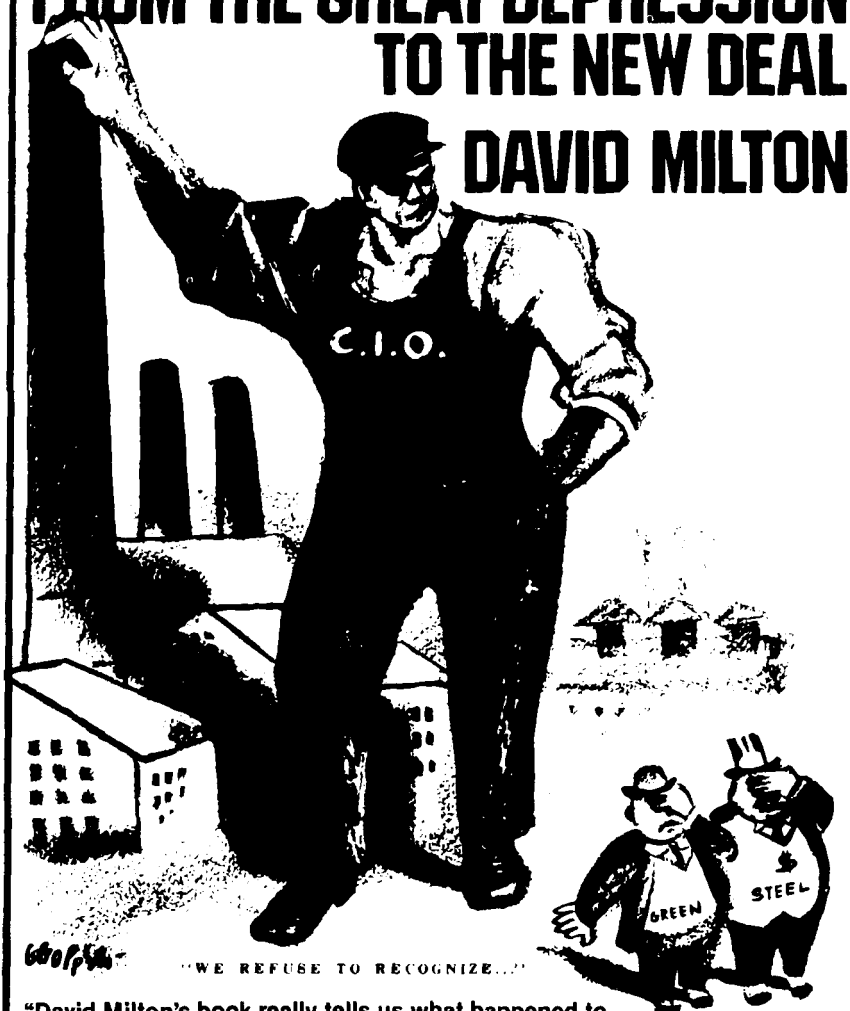
THE POLITICS OF U.S. LABOR
FROM THE GREAT DEPRESSION TO THE NEW DEAL
DAVID MILTON



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FINANCIAL INSTABILITY: WHERE WILL IT ALL END?

BY PAUL SWEEZY AND HARRY MAGDOFF

This collection of essays is in the nature of a running commentary on some of the main aspects of the turbulent course of capitalist development in the last years of the 1970s and the first of the 1980s. The focus is on the United States, still by a wide margin the biggest of the advanced capitalist countries, but the context is the global capitalist order, including its advanced, less developed, and underdeveloped components. The first essay in the collection is dated November 1977, the last March 1981, and the summarizing "Introduction" was written in late summer 1981.

What has happened in the year that has passed since then? The answer, essentially, is more of the same.

The recession that began in the second quarter of 1981 (the second in two years) dragged on into 1982. Most observers look for some recovery in the second half of the year, but hardly anyone expects it to be vigorous. Meanwhile, all the typical signs of stagnation continue to be in evidence. The official unemployment rate which stood at 7.6 percent in 1981 rose to 9.5 percent by the middle of 1982, and the manufacturing capacity utilization rate fell from 79.9 percent to 69.9 percent in the same period.

The counterpart to this stagnation in the realm of production and employment was a continuing ballooning of the

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This is the Foreword to the Japanese edition of *The Deepening Crisis of U.S. Capitalism*, by Harry Magdoff and Paul Sweezy, recently published by TBS-Britannica, Tokyo.

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financial superstructure of the economy which, as the essays in this volume have been at pains to emphasize, has been one of the most spectacular features of capitalist development during the post-Second World War period. The long-term trend is well illustrated by the following figures on the growth of U.S. debt, public and private, from 1950 to 1980.

Outstanding Debt of Nonfinancial Sectors
(in billions of $)

	1950	1960	1970	1980	*Increase* 1950-80
Gov't. (all levels)	241.4	308.3	450.0	1,063.3	340%
Private (households, business)	164.8	416.1	975.3	2,841.9	1,624%
Total	406.2	724.4	1,425.3	3,905.2	861%

Source: Federal Reserve Board, *Flow of Funds Accounts*, various issues.

It will be noted that while government debt, which is emphasized by most observers of the economic scene, grew about four and a half times in the three-decade period, private debt, which is often played down or ignored, was growing more than seventeenfold or nearly four times more rapidly than public debt.

The rate of growth of debt, as usually happens, slowed somewhat in the recessions of 1980 and 1981-82, but this has brought no improvement in the general financial health of the economy. The combination of rising debt, even at a reduced rate, together with faltering profits and continuing high interest rates has wrought havoc with the balance sheets of more and more business firms. Bankruptcies have soared to a postwar high, and liquidity ratios (current liabilities divided by current assets) have continued their long-term decline. Whole sectors of the economy (e.g., construction, much of agriculture, savings banks and savings and loan associations) are on the ropes, and every week brings news of more actual or threatened failures.

Where will it all end? This question is being asked with increasing frequency and urgency. Should we assume that the growing financial weakness of the economy will culminate, as it has so many times in the past, in a panic followed by a debt-

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deflation depression of the kind that overwhelmed world capitalism in the early 1930s? Or have the institutional changes of the post-Second World War period immunized the system against the recurrence of such a catastrophe?

History alone, of course, will provide definitive answers to these questions. But in the meantime it is possible to advance a plausible case for either the optimistic or the pessimistic view. The argument from past experience, never to be lightly dismissed, certainly points to the likelihood, even if not the certainty, of a crash so severe as to defy efforts at control during a painful and possibly protracted deflationary process. We ourselves have always leaned to the view that this is the most probable outcome of the kind of deeply ingrained financial weakening of the economy we are now witnessing.

On the other hand, we are impressed by the counter-argument put forward by a number of economists who, though fully aware of the crisis-prone nature of the present financial structure of the United States (and other advanced capitalist countries), nevertheless discount the likelihood of another "Great Depression." This position has been most persuasively argued by Professor Hyman Minsky of Washington University (St. Louis) whose views are especially worthy of attention precisely because over the years he has been the American economist who has done more than any other to focus on the crucially important destabilizing role of the financial system in advanced capitalist countries.

In his latest pronouncement on the subject ("Can 'It' Happen Again?", *Challenge* [July-August 1982]), Minsky reiterates the opinion he has expressed on various occasions in the past, i.e., that despite a continuing deterioration in the general financial situation, a slide into a depression comparable to that of the 1930s is unlikely. He bases this view on two assumptions: (1) that the Federal Reserve (together with other government agencies such as the deposit insurance corporations) is prepared to play the role of lender-of-last-resort on a scale sufficient to block a chain reaction of the kind that characterized the drastic debt deflation of the 1929-33 period; and (2) that the federal government will continue to run large deficits, thus providing a crucially important cushion of liquidity to the private economy. Both of these assumptions are grounded in the experience of the

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last two decades: the so-called credit crunches of the 1960s and 1970s have shown how ready and able the federal authorities are to intervene whenever a chain reaction threatens to materialize; and there has been only one year of a balanced budget since 1960, while the outlook for the remainder of the 1980s as seen by the supposedly economy-minded Reagan administration is for vastly expanded deficits.

Minsky's argument that "It" (i.e., a deep depression) is not likely to happen again is thus a powerful one. There is, however, one factor which is omitted and which, if taken into account, might put a different face on matters. Minsky focuses almost exclusively on the domestic U.S. economy, treating it in abstraction from the vast and vastly complicated international economy of which in fact it forms a tightly integrated part.

In 1974 a relatively small West German bank, Herstatt, which was heavily involved in foreign exchange speculation, collapsed, sending shock waves through the enormous and basically unregulated Euromoney market. The danger of a chain-reaction catastrophe was averted when the central banks proclaimed what came to be known as the Basle Concordat according to which the supervisory responsibilities of each central bank were specified in the event of a potential destabilization of the international money market. The wording of the agreement, however, was imprecise and the agreement itself was merely a statement of intent with no legal force. Among other things, nothing was said about the responsibility of bank holding companies such as the Banco Ambrosiano Holdings (BAH), whose failure is currently disturbing the 200 banks that had lent money to it. The nature of the potential risks in the international banking community was clarified in a recent column in the *New York Times* (July 2, 1982) by Karen Lissakers, a Senior Associate of the Carnegie Endowment for International Peace. Using the massive Western loans to the countries of East Europe for illustrative purposes, Lissakers wrote:

> While the direct East European loan exposure of United States banks is a modest $7 billion, their indirect exposure through the interbank market is enormous. American banks have not only made loans to Poland and the rest, they have also made loans to other Western banks that have in turn lent to Eastern Europe.

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European banks have some $40 billion out to the East bloc. European banking authorities have assured the United States that none of their banks would be rendered insolvent by having to write off the Polish loans. But a simultaneous default or even extended payment arrearages by Poland, Rumania, and Hungary, for example, would be a different story. . . .

If some European banks experience liquidity problems because the Communist countries are not paying on time, United States banks could become involved via the intricate web of interbank loans, revolving credits, and overnight placements that link the global capital market.

It should perhaps be interposed here that what is said about loans to Eastern Europe would apply, *mutatis mutandis*, to loans to Third World countries which in aggregate are vastly larger. Lissakers continues:

This interbank market increases the efficiency of the world economy by allowing the excess savings in one part of the globe to move swiftly to borrowers in another. And the intermediation of a chain of banks between the depositors and ultimate borrowers spreads the risk of international lending. "Wholesale" lending by banks to other banks, in fact, accounts for 70 percent of the Eurocurrency market.

But many banking experts have come to regard the interbank market as the Achilles heel of the international financial system. For if the interbank market can swiftly transmit funds from one part of the system to another, it can just as rapidly transmit—and spread through the system—the problems of any one bank.

The market can lose confidence in a bank that is known to have large loan losses. The bank may then find that deposits that were routinely renewed at maturity are now withdrawn, and other banks close off needed lines of credit. Suddenly the bank cannot meet its obligations to other depositors and banks from which it has borrowed; banks that were counting on these payments in turn find themselves scrambling for funds to cover the unexpected shortfall and so on along the chain.

The result is a sudden contraction of the market. Herstatt's collapse instantly caused the Eurocurrency market to shrink by 50 percent.

Swift intervention by a central bank to cover the obligations of an insolvent commercial bank can isolate the problem and keep a single failure from rippling through the system. But no central bank may answer the bell in the absence of prior agreement on who is responsible.

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Citibank's Walter Wriston said in 1979, "Whether we like it or not, mankind now has a completely integrated, international financial and informational marketplace capable of moving money and ideas to any place on this planet in minutes." The machine is also capable of stopping. Mr. Wriston and his colleagues—whether they like it or not—need the kind of government regulation and support that prevent abuse of the system when everybody is happy and keep the wheels turning when everyone is sad.

A relatively simple thing, one might think. And yet far from securely attained—and perhaps unattainable.

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NEWS • DOCUMENTATION • ANALYSIS

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WHAT PRICE FREEDOM IN AMERICA?

BY DON QUINN KELLEY

Even before the birth of George Washington racist repression and police violence, as well as charges of conspiracy and black terrorism, had been a part of American life. According to Benjamin Franklin the majority of African slaves were "of a plotting disposition, dark, sullen, malicious, revengeful and cruel in the highest degree." New York City, where the Dutch formed America's first police force, also had America's first instance of slave rebellion followed by charges of conspiracy and racist repression. On April 6, 1712, African slaves set fire to the city, killing nine whites and injuring many others. New York's colonial government responded by hanging 13 men and women, starving one person to death in chains, burning three others at the stake, and breaking one man's back on the "wheel," a European instrument of torture. In 1740 after the arrest of a white tavern owner, his white wife, and a white prostitute for setting fire to the English garrison in New York City, two African slaves were brought to trial for theft and conspiracy in the fire. (The fire coincided with a wave of black rebellion along the northern seaboard following a revolt of slaves in Stono, South Carolina, led by the slave Cato.) Lacking evidence to convict the Africans of conspiracy, a jury convicted them of theft, and they were hanged—reportedly dying "very stubbornly" without confession to any crime. The three whites were hanged within a month without ever implicating the Africans in a conspiracy.

A historian and filmmaker, Dr. Kelley is Associate Professor of Social Science at the City University of New York.

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In the following months, 67 confessions were extracted from terrified slaves who were threatened with torture and hanging if they did not confess to conspiracy. Over the next year, 150 slaves and 25 whites were imprisoned, 18 slaves and 4 whites were tortured and hanged, 13 slaves were burned at the stake, and 70 slaves were transported to the West Indies. Holding Africans in chains, white colonists feared black revolution and used terrorism to prevent it from happening.

This mentality and the need to maintain the economic status quo after the Revolution of 1776 led to brutal repression and reprisals as the new country reacted to continued black revolt. The largest and most organized rebellions were led by Gabriel Prosser (1800), Denmark Vesey (1822), and Nat Turner (1831). In 1816 President James Monroe who had consulted with presidential candidate Thomas Jefferson on strategies for putting down Gabriel's revolt when governor of Virginia, authorized General Andrew Jackson to invade Spanish Florida to subdue more than a thousand escaped slaves who had joined forces with the Creeks and the Seminoles and were attacking slaveholders. On one campaign, a settlement called Negro Fort was blown up after a ten-day siege. Two hundred and seventy men, women, and children died on the spot and of those captured only 40 survived.

Thirteen years later, in his famous *Appeal to the Colored Citizens of the World*, David Walker called for all African peoples in the Western Hemisphere to rise up in bloody revolution against slavery and against masters who had violated the laws of God by denying slaves human rights and by reducing them to chattel. Walker died in Philadelphia, apparently by poisoning, after a reward of $500 was offered for his life. His *Appeal* was later reprinted by John Brown and was being circulated on the eve of the Civil War while a black liberation army was amassing and Frederick Douglass was on the run in Canada for being a conspirator in John Brown's raid on Harper's Ferry. The government charged that the raid, intended to ignite the revolution, had been planned in Douglass' New York home.

Douglass had abandoned "moral suasion" as an instrument of black liberation, saying that slaveholders brought violence upon themselves, after Chief Justice Roger Brooke Taney said in the *Dred Scott* decision that black people "had no rights

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which the white man was bound to respect." Taney, a descendant of a white indentured slave, also stated that neither African slaves, "nor their descendants, whether they had become free or not," were considered United States citizens in the Constitution or in the Declaration of Independence. The black press response to the decision caused one white newspaper, *The Pennsylvanian*, to accuse them of being "brimful of elements of sedition, treason, and insurrection."

In those days, Douglass frequented Brooklyn, known for its anti-slavery and Underground Railroad activities. Manhattan, on the other hand, was a center of white racist sentiment and, during the Civil War, published a Ku Klux Klan type newspaper called *The Caucasian*. In 1863 the federal government had to send troops fresh from fighting in Gettysburg to put down a white racist rebellion (called the Anti-Draft Riot by historians), which killed hundreds of free blacks, lasted for a week, and stretched north from Greenwich Village to the site of Macy's department store, at that time a black orphanage which was set afire and burned to the ground. Whites, largely unemployed Irish immigrants, were angered because Congress had authorized the drafting of white men into military service to fight against slavery but had excluded black men, who in New York City held many of the skilled and unskilled jobs on the docks coveted by white men.

One irony in all of this is that it all happened before the Ku Klux Klan. It all happened before Jim Crow, before the Supreme Court gave its stamp of approval to racial segregation by law as "within the competency of the state legislatures in the exercise of their police powers." This all happened before Justice Harlan dissented because the Court's decision would "stimulate aggressions, more or less brutal and irritating, upon the rights of colored citizens" and would put "the brand of servitude and degradation upon a large class of fellow citizens, our equals before the law."

All of this happened before 1900, before the twentieth century began with a bang as the police powers of the state came into direct conflict with Africans/Americans who would not be denied their human rights. The first explosion which clearly defined these dimensions of American racism came in 1900 in New Orleans, the birthplace of jazz. One July evening police walked up to 19-year-old Leonard Pierce, put a gun in his face,

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threatened to kill him, and then beat Robert Charles who was with him. A policeman pulled a gun to kill Charles, who somehow managed to shoot the policeman and escape. Five days of terror followed.

Newspaper accounts say that "young darkies" were ordered off the street and were beaten and/or arrested by police. Seventy-five-year-old Baptiste Philo was killed. The Mabry family—man, woman, and infant child—disappeared, and the baby's grandmother was murdered in her sleep. Blacks who openly supported Charles were arrested and convicted for talking "too much." A night raid on Charles' home left two policemen dead. Charles escaped again, and there were other deaths. In a final confrontation, police set fire to a house in which Charles was hiding and shot him dead as he ran from the burning building. They dragged his body into the street, dumped it in the gutter, and fired shots into it—to the cheers of a mob of 50 whites who stamped on and kicked it. Officers allowed the corpse to be poked with sticks as it was pulled down New Orleans streets in a police wagon.

Charles had never been charged with a crime. Described as "frank," and "quiet and peaceful" by a friend, headlines labeled him a "desperado." A participant of the "Back to Africa" movement of the times, he worked for the International Migration Society of Birmingham, Alabama, as well as for the *Voice of Missions*, the African Methodist Episcopal Church newspaper of the fiery Bishop Henry M. Turner. For these activities the *New Orleans Times-Democrat* called him "a fanatic on the subject of Negro oppression" and "a preacher of the propaganda of hatred," who distributed "incendiary and dangerous" pamphlets. These were the reasons Charles was murdered in the first large-scale outbreak of government-sanctioned terrorism of this century.

The motion picture *Ragtime* gives a Hollywood version of a true incident of government terrorism in New York City which occurred after Charles' murder. The victim, Coalhouse Walker, who like so many others refused to be the butt of a racist joke, was arrested and treated like a criminal when he demanded that volunteer firefighters in White Plains, New York, be forced to clean his car after they put horse manure in the driver's seat. While attempting to help him find justice, his wife was beaten

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to death by New York City police. Coalhouse Walker and friends then used guns, arson, and explosives to demand that justice be done. Police tried to kidnap his infant child, but failed. He found no justice. Police shot him dead like a nigger in the streets of then President Theodore Roosevelt's old neighborhood.

Roosevelt, whose favorite uncles fought for the Confederacy, did not protest the murder. In 1906, Mary Church Terrell organized a nationwide protest against Roosevelt, who had ordered 170 black soldiers to be summarily dismissed for a "conspiracy of silence" after they disclaimed by affidavit any knowledge of a shooting in Brownsville, Texas, involving a handful of black soldiers, in which two whites were killed.

Like Coalhouse Walker and Robert Charles, many Africans/Americans found themselves having to use guns in a racist America. Dr. W.E.B. Du Bois wrote:

> I revered life.... I could never conceive myself killing a human being. But in 1906 I rushed back from Alabama to Atlanta where my wife and six-year-old child were living. A mob had raged for days killing Negroes. I bought a Winchester double-barreled shotgun and two dozen rounds of shells filled with buckshot. If a white mob had stepped on the campus where I lived I would without hesitation have sprayed their guts over the grass. They did not come. They went to south Atlanta where the police let them steal and kill.

By the time of the founding of the National Association for the Advancement of Colored People (NAACP) on February 12, 1909, Jim Crow and Old Black Joe had become synonymous with racist violence and racist arrogance across America.

This was clearly the case with the Wilson presidency (1913-21). In 1913, during a storm of black protest, Woodrow Wilson, an ardent segregationist, had a private White House screening of *Birth of a Nation*, D.W. Griffith's film celebrating the birth of the Ku Klux Klan and attacking black men as rapists. That same year he segregated all aspects of the federal government in Washington, D.C. In 1915 the Klan was officially reorganized. Two years later in East St. Louis, Illinois, two white policemen who were mistaken for vigilantes were shot dead in a black neighborhood; and the next day enraged white mobs began shooting, lynching, and burning black women, men, and children throughout the city, eventually murdering 39 and injuring hundreds. A "Silent Parade" of 15,000, organized by

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the NAACP and led by Du Bois and James Weldon Johnson, marched in Harlem in protest, carrying banners reading: "Mr. President, why not make America safe for democracy?" Two months later, in what Du Bois called an "unsuccessful revolution," black soldiers in Texas seized arms and killed 17 whites in response to racist attacks. After a hurried trial, 13 soldiers were hanged for murder and mutiny and 41 were given life sentences. (They were later released because of the efforts of the NAACP.)

In 1918 the federal government indicted and convicted Ben Fletcher, a member of the radical Wobblies, on charges of opposing the war effort, and kept him in jail until 1933 because, according to the Department of Justice, "he was a Negro who had great influence" on black workers, and who had great success in building the powerful multiracial Marine Transport Workers Union. Between 1917 and 1919, 27 black homes were bombed in Chicago and, after white gangs murdered two black men on June 21, 1919, notices were posted to "get all the niggers on July 4th." In July in the nation's capital, whites rioted—and black people responded in kind, leading one black woman to write: "At last our men had stood like men, struck back, were no longer dumb, driven cattle.... Oh I thank God, thank God." A few weeks later, white Chicago rioted after black beach-goers attacked police who refused to arrest a white man for stoning a black swimmer and causing him to drown. Casualties: 38 dead, 537 injured. In 1920 "Negro fanatics" called "the Abyssinians" killed two whites and a policeman in retaliation for the 1919 riot. Also in 1919, a virtual race war raged in Elaine, Arkansas, after black sharecroppers formed a union, hired a lawyer, and demanded an accounting from landlords. One hundred sharecroppers were killed, and others fought back in self-defense. The courts sentenced 12 sharecroppers to death and 77 to long prison terms. In one instance involving the death of two Klansmen, the Supreme Court reversed the convictions and a white mob stormed the jail and lynched the defendants. In the last three years of Wilson's presidency, 83 black women were lynched and 28 black people were burned at the stake.

This pattern of racist violence and government repression continued. Congress refused to pass an anti-lynch law in 1922, despite the fact that since the 1890s there had been an average of 100 lynchings a year—and despite the fact that a mob of white

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men, women, and children "roasted" a black man in Hubbard, Texas, while jabbing sticks into his mouth, nose, and eyes. In Detroit the NAACP won another victory in 1925 defending Dr. Ossian H. Sweet and his family who had killed a member of a white mob charging their home. The federal government, however, won its own victory by using questionable evidence of mail fraud to jail and eventually deport Marcus Garvey, who had advocated Pan-African nationalism as a solution to "lynching, peonage, and disfranchisement" in America and to racism worldwide. In 1927 a black newspaper editor told Calvin Coolidge that he could not see "how a President of the United States can sit idly by and see his living subjects burned to death by a degenerate class of evil doers."

Neither the Great Depression nor world war stopped the attack on black human rights. In 1931, nine black youths riding the rails looking for jobs were falsely accused, and all but one convicted, of raping two white prostitutes and sentenced to death in the "Scottsboro Boys" incident. (The one youth not convicted had killed himself in terror the first night in jail.) On July 16, 1931, Ralph Gray, black leader of the Sharecroppers Union in Alabama, was lynched after the Tallapoosa County sheriff and his deputies interrupted a union meeting in support of the Scottsboro Boys. Thirty other blacks were arrested, five of whom were charged with murder—four of the five "disappeared" from the Dadeville jail. In 1932, 19-year-old Angelo Herndon, a black Communist organizer, was charged with insurrection and sentenced to life on a chain gang for leading a multi-racial demonstration of the unemployed in Atlanta. In 1935 Harlem rioted against the police after a rumor that a policeman had murdered a Harlem child. In 1937 Congress again refused to pass an anti-lynch law, and the NAACP optimistically but unrealistically supported a proposal for a Congressional "un-American" activities committee to investigate American Nazi activities and, it hoped, Klan terrorism. The Committee was formed in 1938, concentrating its attention on all who disagreed with official government policy. In 1940 Congress defeated another anti-lynch law. In 1942 Roy Wilkins of the NAACP said that no black leader could openly advocate black involvement in the Second World War and keep the support of black people. In 1943 Africans/Americans in Detroit and Harlem

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rioted against the police and against white racist attacks; in Detroit federal troops were used to quell the revolt. In 1944 Nazi POWs ate and rode on trains with white soldiers across the South, while black soldiers ate and rode in Jim Crow cars. In 1946 and again in 1947, W.E.B. Du Bois and Walter White of the NAACP presented to the Commission on Human Rights of the United Nations a lengthy "Appeal to the World" for justice for Black America. In 1947 President Truman's Committee on Civil Rights noted that the "incidence of police brutality against Negroes is disturbingly high." In 1949 New York State troopers joined mobs instigated by Klan and Nazi elements in Peekskill in attacking, on two separate occasions, those who attended concerts given by Paul Robeson. The local press claimed that the purpose of the concerts was to support "subversives." (At the Paris Peace Conference on April 21, 1949, Robeson said: "We denounce the policy of the United States government which is similar to that of Hitler and Goebbels.")

In 1950 Robeson's passport and those of his wife and son were revoked as not being "in the best national interest" of the United States. In 1951 Du Bois was indicted by a federal grand jury as an "agent for a foreign principal" because of his association with the World Peace Council. (Du Bois won his case in the courts. Not so lucky was Benjamin J. Davis, Jr., unbeatable at the polls and a Communist who had become New York City's first black City Councilman in 1943, who began serving a jail term on July 14, 1951, for his opposition to American racism and imperialism.) Later that year, Du Bois, Robeson, Mary Church Terrell, William Paterson, and other members of the Civil Rights Congress charged the United States government with the crime of genocide against the African/American people in a 190-page petition to the United Nations.

On May 17, 1954, the U.S. Supreme Court ruled that segregation was inherently unconstitutional, but the ruling did not put a stop to centuries of racist practices. In Louisville, Kentucky, where Anne and Carl Braden had been thrown in jail ten days before the Supreme Court decision for selling their home in an all-white neighborhood to a black couple, the Klan terrorized the couple by first shattering windows, then firing rifles into their house, and finally blowing it up with dynamite. A racist court convicted Carl Braden for inciting the bombing

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and insurrection, and sentenced him to 15 years in prison. The following summer, Emmett Till, 14 years old, was bludgeoned to death while vacationing in Money, Mississippi, for allegedly whistling at a white woman. On December 1, 1955, Rosa Parks refused to change seats on a Jim Crow bus in Montgomery, Alabama, and started a decade of nonviolent civil disobedience for black human rights. Of that movement, led by the Rev. Martin Luther King, Jr., W.E.B. Du Bois commented: "Can passive resistance win over race hate? I doubt it."

Yet in 1957 nine black students physically, but nonviolently, challenged school desegregation in Little Rock, Arkansas, and forced the federal government to send in troops. They won. In 1958, however, Fuzzy Simpson, age seven, and Hanover Thompson, age nine, were convicted of rape in Monroe, North Carolina, after a six-year-old white girl told her mother she had kissed Fuzzy on their way home from segregated schools. Fuzzy was kept in a wire cage during the trial. The boys went to jail and stayed there until 1959 when their defense lawyer, Conrad Lynn, persuaded Eleanor Roosevelt to intervene with President Dwight Eisenhower.

Robert Williams of the NAACP, who had organized the black community of Monroe around the infamous "kissing case," said three months after the boys' release: "The Negro in the South cannot expect justice in the courts. He must convict his attacker on the spot. He must meet violence with violence and lynching with lynching." He was suspended by Roy Wilkins by telephone. The community rallied to his defense—he had fed them, fought the Klan, and fought the racist courts—and re-elected him president of the Union County NAACP, despite his suspension.

Young people continued to escalate the nonviolent struggle, as students in Greensboro, North Carolina, "sat in" at a lunch counter in a Woolworth's and, in the words of Martin Luther King, "a new spirit of resistance was born." The sit-in movement spread like wildfire across the South. Seizing the time, Ella Baker of the Southern Christian Leadership Conference's (SCLC) Atlanta office called together student leaders, advanced them $800 and the Student Nonviolent Coordinating Committee (SNCC) was born. Ella Baker was the recognized "left" of SCLC. She defined the movement as "the struggle for human

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dignity and human freedom" against the worldwide system of capitalism, imperialism, and racism. She said: "I had to learn that hitting back with a fist of one individual was not enough. It takes organization. . . . [We] must struggle every day and every year until we win."

SNCC and other civil-rights demonstrators were met with brutal violence and murder wherever they protested. Frequently, Justice Department officials and FBI agents watched state and local police beat them unmercifully for insisting on their rights. Sometimes the federal officials provided the racist attackers with confidential information given them by demonstrators seeking federal protection for their lives. At no time did federal officials make arrests or attempt to stop the violation of black rights. President John Kennedy compounded the problem by appointing racist judges in Georgia, Mississippi, Alabama, and Louisiana. He also ordered the FBI to use illegal surveillance methods to gather information on civil-rights leaders. The Justice Department secured indictments and convictions of nine civil-rights workers in Albany, Georgia, for picketing the store of a white man who had served on a federal jury which had freed the Baker County sheriff after he had shot a black man in his custody. (Ironically, the Justice Department used a 1945 case in which the Supreme Court ordered a retrial for a Baker County sheriff who had beaten a black man to death to justify its inaction on behalf of civil-rights demonstrators.) In 1963 John Lewis of SNCC wrote: "It seems to me that the Albany indictment is part of a conspiracy on the part of the federal government and local politicians in the interest of expediency."

It was against this arrogant, violently racist America that the Rev. Martin Luther King, Jr. and the civil-rights movement were trying to nonviolently overcome in 1963 in Birmingham, a city described by him as "the largest city of a police state." Covered by the media, the world watched as African/American people singing "We Shall Overcome" *stood their ground* when attacked by police dogs, *stood their ground* when shocked by cattle prods, *stood their ground* when cracked by sheriffs' billy clubs until their skulls opened, and *stood their ground* when beaten and dragged to jails. Gaining only modest concessions to the ending of segregation, Dr. King claimed a victory, saying that Africans/Americans had realized that "we can make ourselves free."

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In September the Birmingham city government reneged on the agreement, and a black church was bombed, injuring 19 people and killing five others, including four little girls. Although Dr. King called the murders "political assassinations," it was the voice of Malcolm X, who charged the government with being guilty of a conspiracy to murder Black America, which excited the African/American masses. Malcolm X pointed to the moral bankruptcy of the American system, saying that those who are violent create violence and are incapable of nonviolent solutions to racism. He spoke to "the grassroots" and called for full freedom now or black revolution—"the ballot or the bullet."

Malcolm X did not believe in racism, discrimination, or any form of segregation. In his own words, he believed that Africans/Americans should demand and fight for "human rights, respect as human beings, [and] economic justice." In 1964 he formed Muslim Mosque, Inc. in Harlem, to serve as a "working base for an action program designed to eliminate the political oppression, the economic exploitation, and the social degradation suffered daily by 22 million Afro-Americans." Hoping to join hands with international struggles for national liberation and with the larger mass movement for civil rights, he also formed the Organization of Afro-American Unity (OAAU), pledging: "I am going to join the fight, whenever Negroes ask for my help." They did, and he spoke in Dr. King's church in Selma, Alabama. He also introduced veteran civil-rights worker Fannie Lou Hamer to a Harlem audience, asking, "Who says you have to be a man to be a freedom fighter?" Of the worldwide struggle against injustice, he said:

> I believe that there will ultimately be a clash between the oppressed and those that do the oppressing. I believe that there will be a clash between those who want freedom, justice, and equality for everyone and those who want to continue the system of exploitation. I believe that there will be that kind of clash, but I don't think that it will be based upon the color of the skin. . . . We are living in an era of revolution, and the revolt of the American Negro is part of the rebellion against the oppression and colonialism which has characterized this era.

On February 14, 1965, at 2:30 A.M., Malcolm X's home was bombed. Speaking to an audience on the day of the bombing, he said:

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I have never advocated any violence. . . . When I say we should defend ourselves against the violence of others, they use their press skillfully to make the world think that I am calling for violence period. . . . The press calls us racist and people who are "violent in reverse." . . . Right here in New York we have a couple of cases where the police grabbed a brother and beat him unmercifully—and charged him with assaulting them. They used the press to make it look like he is the criminal and they are the victims.

On Sunday, February 21, 1965, Malcolm X was murdered in the Audubon Ballroom. Although the ballroom was less than one hundred steps away from the Columbia Presbyterian Medical Center, the ambulance which had been called for never arrived; meanwhile, Gene Roberts, an agent for the Police Department's Bureau of Special Services, who had managed to infiltrate the OAAU as one of Malcolm X's bodyguards, hovered over Malcolm's body until others, who had left the ballroom in search of a stretcher, returned and carried him across the street to the hospital, where he was pronounced dead 21 minutes later. Police normally assigned to guard Malcolm X in public appearances were not present that day in the ballroom.

True to his words, in media coverage of his assassination Malcolm X was labeled a "black racist, an extremist who had advocated violence and had died by violence." This pattern continues even today.

In 1967 Congress passed the infamous "H. Rap Brown" law, making it a felony to cross state lines with the "intent" of inciting or organizing a riot. Admittedly, the legislation was intended to restrict the movement and the freedom of speech of firebrands like Brown who was head of SNCC and based in New York City. (Brown is well remembered for saying "violence is as American as cherry pie.") This law eventually made Brown a "criminal," on the run for telling black people in Cambridge, Maryland, to resist racist oppression by any means necessary: "*Die Nigger Die*!" In the 1970s when Brown was captured, the media dealt with him as a former black radical who had become a common criminal.

At one point in 1967, the New York FBI had re-arrested Brown (who was out on bail) for speaking at rallies in California celebrating the birthday of Huey P. Newton, co-founder of the Black Panther Party for Self Defense. The Panthers, who were

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attempting a merger with SNCC were the next to be attacked by the government, which infiltrated, then staged "shoot-outs," with Panther chapters across the country. (In New York, a third of the Panthers were estimated to have been agents.) The most notorious of the shoot-outs, involving both the FBI and local police, was a pre-dawn raid in Chicago which left one Panther crippled, others wounded, and Fred Hampton and Mark Clark dead, the twenty-seventh and twenty-eighth victims of government violence against the Party. The Chicago black community responded with anger, and a citywide coalition headed by the Rev. C.T. Vivian placed a "sundown" curfew on all whites in black communities, charging that the murders were part of a "conspiracy to crush the black drive toward liberation through murderous intimidation by the police and the courts." Chicago was an armed camp for the next month, as police occupied and intimidated black neighborhoods. In Chicago, as elsewhere, the government justified its actions on the premise that the Panthers advocated violent revolution and had illegal weapons in their possession. The principal demand, however, of the Party was for self-determination and control of black communities by black people. They demanded an end to racism by calling for "Power to the People."

The 1970s saw more of the same. Angela Davis, at one time a member of SNCC and the Black Panther Party, was made a fugitive and was named by the FBI as "the most wanted criminal in America" for a crime she did not commit and for which she was eventually found innocent in a court of law. Similarly, George Jackson – who was also accused of a murder he did not commit – was murdered in San Quentin prison. Prison officials claimed he was killed trying to escape, using a "gun hidden in his Afro hairstyle." Angela Davis' crime was being an avowed Communist and a black revolutionary woman; George Jackson's crime was realizing, while serving a sentence of one-year-to-life for a crime committed by a friend whose car he was in, that fascism and class warfare are realities of American life.

The Republic of New Africa was next to be attacked and so were other radical groups, as more "shoot-outs" occurred throughout the 1970s, including the one on the New Jersey Turnpike which left Zayd Malik Shakur dead and made Assata Shakur of the Black Liberation Army a "criminal," a "cop

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killer," and a "terrorist." (To date, police have killed eight BLA members.) The decade ended with an FBI agent and another federal agent leading an assault of Klansmen and members of the American Nazi party in the murder of five Communist organizers (one black woman, one black man, three white men) in Greensboro, North Carolina, in broad daylight and on television. Two weeks after the election of Ronald Reagan, the Greensboro murderers were found innocent of all charges by an all-white jury, based on their plea of self-defense in a "shoot-out." After the verdict, the head of the American Nazi party called the murders "the first shots of the second American revolution."

The Ronald Reagan revolution began with a counter-inaugural demonstration protesting Greensboro, militarism, racism, the Klan, and the Nazis. (Busloads of demonstrators from New York were met by blue-and-white New York Police Department cars when they got off the buses in Washington.) The only parade route which the government would approve took the march away from any observers and through lines of police and the American military. In fascist style, plainclothes policemen went through the lines jostling and cursing demonstrators.

This hardline approach to the opposition has been a consistent characteristic of the Reagan revolution. Reagan has approved overt military intervention in El Salvador and warned of war with Cuba. He has flown an Air Force jet from the American West to Egypt in a mock military manuever called Operation Bright Star, meant to strike fear into the hearts of Israel's Islamic and Arab enemies. He has called Muamar Qaddafi a terrorist and a murderer and accused him of sending an assassination team to America, a "hit squad" which seems to have been a figment of the government's imagination. He has supported South Africa's military incursions into Angola and has opposed real freedom for Namibia. He has proposed legislation in violation of international law to keep Haitian refugees out of America, and he has allowed Haitian children to be separated from their parents and placed in detention in Woody-Crest, New York. He has urged tax exemptions for private schools that practice racial discrimination. He has fired strong advocates of civil rights and has intervened in desegregation cases on the side of racists. He has said nothing of the role of the Ku Klux Klan in the 1981 invasion of Dominica, or the plot to overthrow the

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government of Grenada. He has not taken a stand against the recruitment activities of the Klan and the Nazis among the American military in Germany. He has freed FBI officials convicted of violating the civil rights of peace demonstrators through illegal surveillance. He has forced through an economic program which spells terror for the aged, the unemployed, the young, women, and nonwhites. He has accused black leaders of preaching race hatred as an explanation of his continued unpopularity with the African/American masses.

Mr. Reagan has also taken restrictions off the CIA under the guise of national security in an "age of terrorism." This means that the CIA can now spy on United States citizens and conduct covert activities on American soil. This means that the CIA can now infiltrate and influence purely domestic organizations if these activities are "undertaken on behalf of the FBI in the course of a lawful investigation," or if there is a "reasonable belief" that a person "is acting on behalf of a foreign power." This means that the CIA may provide equipment, expertise, and personnel "for use by any department or agency, or, when lives are endangered, to support local law enforcement agencies." This means that the weight of the entire intelligence community can now legally be used against black radicals whose rhetoric or actions disagree with government policies.

All of this has paralleled the cutting out of black men's hearts in Buffalo and racially motivated stabbings in New York; 14 unsolved murders of black women in Boston and 14 unsolved murders of black women in Los Angeles; the murder of 28 black youth and 38 black women in Atlanta; the shooting of four black women in Tennessee by Klansmen and Nazis; the setting free of white policemen who had murdered black men in Miami, New Orleans, Milwaukee, and Chicago; the lynching of black men in Alabama and South Carolina; the sentencing to jail terms in Tchula, Mississippi, of a black mayor, a black police chief, and black policemen for legally arresting a racist; the refusal by a white New York judge to sentence to jail a 23-year-old white man convicted of striking a black policeman and ordering his dog to attack him; the shooting of a nine-year-old black girl by the Klan on the anniversary of Hitler's birthday; a Klan conspiracy to bomb the home of the head of the Baltimore NAACP; the "takeover" of a Tennessee prison by white inmates who

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murdered black inmates with guns belonging to guards and then "surrendered" to those same guards; and the sentencing of Maggie Boseman of the SCLC, age 51, and Julia Wilder of the NAACP, age 69, to four- and five-year sentences for legally aiding shut-in voters to cast absentee ballots in Pickens County, Alabama. For all these and other reasons, there will be those who actively oppose this government as long as racism flourishes and as long as Africans/Americans are denied their human rights.

In his Zero Option speech to Europeans concerned about American threats of nuclear war in Europe (November 18, 1981), Mr. Reagan said: "Peace and security have little meaning to those who are oppressed. . . .[to those] who are denied democratic rights by their government." This is as true for the United States as it is around the world: oppressed people will not remain oppressed forever. To quote the Rev. Martin Luther King, Jr., "There will be neither rest nor tranquility in America until the Negro is granted his citizenship rights." There is no other alternative. All people who believe in justice and freedom, democracy and human dignity, must oppose American terrorism.

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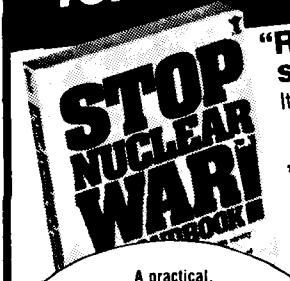

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ON THE REWRITING OF HISTORY

BY BRUCE FRANKLIN

The current edition of the *Encyclopedia Britannica* (the fifteenth) appeared in 1974. Its form has been mildly controversial, being divided into a ten-volume "Micropedia" of short reference articles and a nineteen-volume "Macropedia" of in-depth discussions of important topics. Its content of course is not so obvious. However, the intellectual renaissance of the late 1960s and early 1970s, which had challenged the crippling anti-Communist dogmatism of the late 1940s and 1950s, did exert some influence on major articles in many fields of the 1974 edition.

One interesting example is the 26-page article in the Macropedia: "Colonialism (*c.* 1450–*c.* 1970)." The first section, written by Charles E. Nowell, Emeritus Professor of History at the University of Illinois, Urbana, author of *The Great Discoveries and the First Colonial Empires*, leads up to the 1763 Treaty of Paris, which ratified the global pre-eminence of the British Empire. The second and much longer section, chronicling and analyzing the subsequent rise and fall of colonialism through 1973, was authored by Harry Magdoff and is reproduced as the lead essay in his book *Imperialism: From the Colonial Age to the Present* (Monthly Review Press). The entire article achieves an admirable fusion of fact and analysis, providing an exceptionally useful tool for many purposes of reference and education.

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In preparing my course "Literature of the Third World," I found myself often consulting Magdoff's section, which concisely and lucidly synthesizes the modern history of colonialism. One day about a year ago I was in a local library, doing some research for an article. To check my chronology I casually turned to the "Colonialism" article. Something seemed wrong. Was my memory playing tricks? Where was the discussion of neocolonialism? Of United States imperialism after the Second World War? Of the Vietnam war? And I hadn't recalled Harry Magdoff writing an anti-Soviet diatribe in which the main effect of the Russian Revolution was portrayed as reestablishing the colonial empire of the tsars.

Looking more closely solved part of the mystery. The *Encyclopedia Britannica* in the library had been printed in 1979, and Magdoff's section had been lopped off at 1914, with the period from the First World War to the present now being covered by Richard Webster, a Berkeley professor specializing in modern Italian history. This raised some new questions: What had led to the decision to scrap Magdoff's discussion of events after 1914? When did this happen? What were the differences in content between Magdoff's original piece and Webster's substitute?

I raised the first two questions in a letter to the *Encyclopedia Britannica*. Here is their response, printed in full:

> Dear Professor Franklin:
>
> This is in reply to your letter of October 19. By the mid-1970s the article in question was somewhat out-of-date; the title itself, "Colonialism" (*c.* 1450–*c.* 1970), dated it. In late 1976, Professor Webster was asked to rewrite the final section of the article for publication in the 1978 printing of *Britannica*.
>
> It is true, of course, that more was involved than simply datedness. The article had been criticized in the press for bias. One point raised was the total omission of information on Soviet colonialism.
>
> The article was subsequently reviewed by our own advisers and judged to be not up to the standard of *Britannica* objectivity; it was thus recommissioned.

This letter speaks volumes.

I thought that a detailed comparison of the two articles should provide a laboratory test of this "standard of *Britannica* objectivity," useful in comprehending the ideological content of

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this most respected Anglo-American reference work. What I discovered was a stunning display of the crucial differences between the two main competing methods of historical analysis in today's world.

Magdoff's article allows us to grasp the overall history of modern colonialism. We see the conflicts of the colonial powers over the division of the world leading to the First World War, which in turn helps to precipitate the Russian Revolution and to stimulate national independence movements. The complex interplay between socialist revolution and anti-colonialist struggle is then traced through the Second World War to the main battlegrounds of the early 1970s. In the postwar period of decolonization, we see why outright colonialism is replaced by neocolonialism, with the role of the old European empires being assumed by the United States, whose economic hegemony is enforced by a worldwide network of military bases and whose struggle against national liberation movements merges with its anti-Communist crusade. This process is brought into especially sharp focus by such events as the U.S. overthrow of the governments of Iran (1953) and Guatemala (1954), the landing of U.S. marines in Lebanon (1958) and the Dominican Republic (1965), and most dramatically by the U.S. war in Indochina.

Webster's analysis is ostensibly liberal "objectivity." In other words, it pretends to be empirical, with an eclectic organization which on the surface indicates no fundamental organizing theory. The causes of events are typically lists, with no apparent connection among the three or four items listed. (When Magdoff uses lists, it is to display the interrelations among the listed events or forces.) Slightly below the surface, however, one can easily detect an undercurrent of anti-Soviet and anti-Communist messages that join to define the main purposes of Webster's article. The United States now appears not as a neocolonialist power, but primarily as a fighter against colonialism, whether European or Soviet. In fact, the main form of "colonialism" — from 1917 right on to the present — now seems to be that of the Soviet Union. Close inspection reveals that Webster has actually rewritten Magdoff's article, leaving in many of the main facts, while liquidating the analysis, expunging almost every reference to U.S. colonialism and neocolonialism, and cleverly inserting his own partially concealed anti-Communist thesis.

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Crucial to this methodology and typical of liberal "objectivity" is the pretense of no methodology at all, as though facts were merely being recorded and ordered in an ideological vacuum. For example, Magdoff readily acknowledges that the term and concept of neocolonialism are both "highly controversial," conventionally rejected in the United States and Western Europe, readily assumed and discussed in the former colonized world. Webster disposes of this critical term and concept by omitting them entirely from his discussion.

There are very few examples of updating in Webster's piece, although this was ostensibly the main reason the article was rewritten. Even here, differences between the two versions of history are quite striking. For instance, Magdoff had discussed "the nationalist guerrilla forces" that "have long been actively fighting for liberation" in the Portuguese colonies in Africa, and noted that "to counter these revolutionary activities, Portugal, the military resources of which are bolstered by its membership in the North Atlantic Treaty Organization, has sent large armies to its colonies." Writing after these African forces had won their independence, Webster mentions their struggle only in these terms: "Portugal found itself mired in a series of colonial wars." Then he attributes the independence of Guinea-Bissau, Mozambique, and Angola not to anything done by the peoples of these nations but entirely to events in Portugal: "In 1974, the armed forces overthrew the successors to Salazar, and in the unstable political situation it became clear that Portugal would cut its ties to Africa."

To focus most sharply on the ideological and methodological differences, let us look at two key events, one at the beginning of the period, the other at the end: the Russian Revolution and the Vietnam war.

Magdoff assesses the Russian Revolution in the context of the rise of independence movements stemming from the First World War:

> Another major war-related stimulus to the new surge of nationalism was the Russian Revolution of 1917, which fired the imagination of the colonial masses, especially in Asia, for it showed the common people that they could rebel and manage their own affairs despite the opposition of the imperialist powers. Also of major significance was the fact that the Soviet Union declared itself to be

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anti-imperialist, renounced imperialist privileges, and opened up the tsarist archives to reveal the secret processes of imperialist negotiations. In the 1919 Karakhan Manifesto to the Chinese People the Bolsheviks offered to return territory taken from China by the tsarist regime, to renounce outstanding claims to the indemnity for the Boxer Rebellion in 1900, and to give up extraterritorial rights.

If anything, Magdoff seems to be understating the case or, more probably, alluding to events he cannot discuss more fully for lack of space. The well-informed reader, or the reader investigating more deeply, would comprehend his references to the invasion of the Soviet Union by the imperialist powers (including Japan and the United States, as well as Western Europe and England), the May 4th Movement in China, and the successful Communist revolution in Mongolia, not to mention the unleashing of the national liberation movements in Indochina, led by Ho Chi Minh.

Webster ignores all of this, treating the Russian Revolution in a section entitled "The United States and the Soviet Union." In a phony pretense to balance, he begins this section by pointing out that the United States "acquired no new colonies" after its purchase of the Virgin Islands in 1917. He continues by explaining that the older policy of establishing U.S. "protectorates" in Latin America was "reversed under Hoover and Roosevelt, particularly under the latter's Good Neighbor Policy." Then immediately comes his assessment of the Russian Revolution:

> The new Soviet Russian regime succeeded, after years of civil and foreign war, in regaining the Asian possessions of its tsarist predecessor. The Caucasus was repossessed step by step between 1919 and 1921; after the mountain areas and Azerbaijan were brought back under Soviet control, Armenia was partitioned between Russia and Turkey. Then Georgia, an independent parliamentary republic, was overrun by the Red Army. Russian Turkistan was subdued by 1922, and the khanates of Khiva and Bukhara were suppressed. By 1922, Outer Mongolia was also solidly linked to the Soviet state. Nevertheless, the Russian revolutionary government was ideologically opposed to colonialism, especially where it had no colonial interests that it cared to defend.

Thus the magic wand of liberal "objectivity" transmutes the invasion of the Soviet Union by the colonial powers into a colonial invasion by Russia of the rest of the Soviet Union, not to mention its ally Mongolia.

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Webster's distortions of the history of the Vietnamese struggle are just as radical and just as misleading. Here we may draw some valuable lessons about the hidden content of form: how apparently neutral principles of organization may shape meaning. Magdoff approaches the Vietnamese struggle for socialism and national independence within the context of the revolutionary movements in Asia, thus allowing us to comprehend the dialectical interrelations among forces and events. Webster breaks the Asian revolution into little pieces, distributed (almost like colonies) among sections organized from the point of view of the colonial powers: "British decolonization, 1945–56"; "Wars in Overseas France, 1945–56"; "British decolonization after 1956"; "Dutch, Belgian, and Portuguese decolonization"; etc. Thus the Vietnamese struggle is reduced to an incident within the history of French decolonization. The Chinese revolution is thereby further reduced to an incident significant only in relation to the Vietnamese defeat of France. And the role of the United States in Vietnam can thus be omitted entirely, without even a single mention, throughout the article!

Before I comment further, I should like to present for the reader's own analysis the complete treatment of the Vietnamese struggle by the two authors (whose respective identities I shall also leave to the reader):

> Revolution and warfare dominated the nationalist developments in the rest of Asia. With the establishment of the People's Republic of China in 1949, after many years of civil war and war against the Japanese invasion, all vestiges of imperialism were eliminated from that country except for the British colony of Hong Kong, the Portuguese colony of Macao, and the United States sphere of influence in Taiwan. The Netherlands, with the aid of British troops, tried to reoccupy Indonesia when the Japanese left but was unable to do so in four years of war against the Republic of Indonesia, which finally became fully independent in 1949. The French were also unsuccessful in trying to reconquer Indochina. The war against the Japanese had produced a strong national army and liberation movement in Indochina, which, in addition to independence, aimed for basic social and economic changes. After nine years of intense, large-scale war, the French Army, massively aided economically and morally by the United States, suffered major defeat, notably at the Battle of Dien Bien Phu. At a 1954 international peace conference in Geneva, an agreement was reached to recognize the independence of Laos, Cambodia, and Vietnam. As for Vietnam, a military demarcation line was drawn at

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approximately the 17th parallel to facilitate the truce and pave the way for elections under the supervision of an international commission to unite the Northern and Southern zones. South Vietnam, where U.S. influence became paramount, decided not to go along with the unification elections scheduled for July 1956 by the Geneva Agreement. This was followed by rebellion in South Vietnam, U.S. military support of the South Vietnamese government, and massive air attacks on North Vietnam, until a cease-fire was reached in 1973.

Wars in overseas France, 1945–56. The constitution of the French Fourth Republic provided for token decentralization of colonial rule, and cycles of revolt and repression marked French history for 15 years after the end of the Second World War. The first focus of colonial war was Indochina, where a power vacuum, caused by Japan's removal after wartime occupation, gave a unique opportunity to the Communist Viet Minh. When in 1946 the French Army tried to regain the colony, the Communists, proclaiming a republic, resorted to the political and military strategies of Mao Tse-tung to wear down and eventually defeat France. All chances for maintaining a semi-colonial administration in Indochina ended when the Communists won the civil war in China (1949). Eventually, in 1954, when the French engaged the Communist armies in a pitched battle at Dien Bien Phu, the Communists won with the help of new heavy guns supplied by the Chinese. The Fourth Republic left Indochina under the terms of the Geneva Accords (1954), which set up two independent regimes.*

We might think that Webster's grotesque misrepresentations of history came from mere ignorance, if it were not for the fact that he is obviously rewriting Magdoff. It is also worth noting that Magdoff's account continues into 1973, whereas Webster's "update" breaks off with its false characterization of the events of 1954.

The full implications of this kind of blatant rewriting of history in the late 1970s are ominous indeed. Tens of millions of people in the United States were awakened into consciousness by the events of the 1960s and early 1970s. A massive assault on this consciousness has been underway for several years now, marked by quite successful attempts to gain total control of the media, book publishing, and education. Integral to this offensive is the rewriting of history to conform to the interests of neo-

*For the record it seems worthwhile to record that Article 6 of the Final Declaration of the Geneva Conference, July 21, 1954, states: "The Conference recognizes that the essential purpose of the agreement relating to Vietnam is to settle military questions with a view to ending hostilities and that the military declaration is provisional and should not in any way be interpreted as constituting a political or territorial boundary." – The Editors

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colonialism, which is constantly assuming new shapes and disguises. One of these disguises in fact is the cloak of phony "objectivity," which is used to cover up the vital knowledge we won and need to reclaim.

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Where Afric's sunny fountains
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From many an ancient river,
From many a palmy plain,
They call us to deliver
Their land from error's chain.

– Bishop Reginald Heber
(1783-1826)

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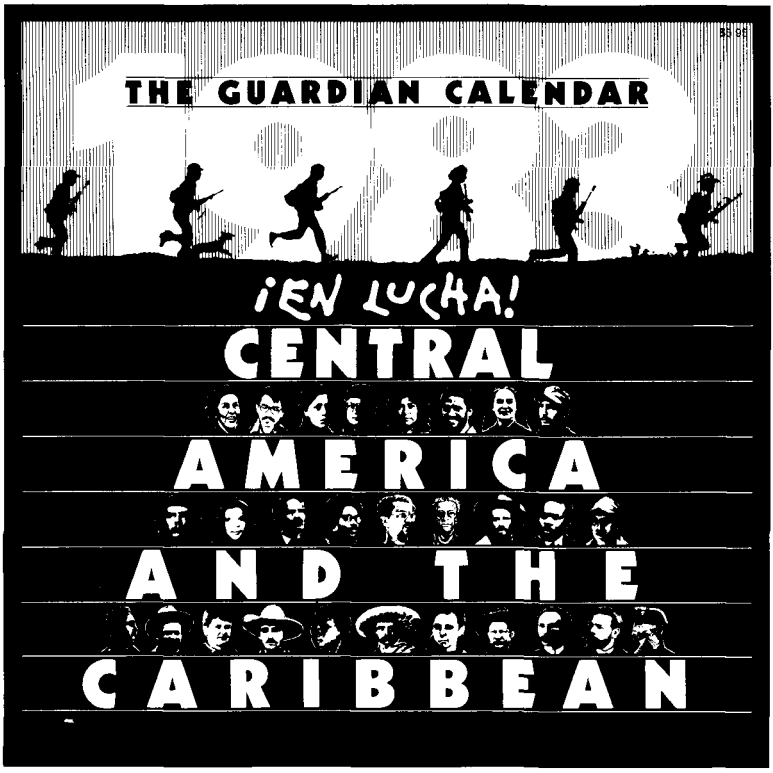

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AUSTRIA'S "SOCIAL PARTNERSHIP" —A VIEW FROM WITHIN

BY THEODOR PRAGER

Time was when Austria was regarded as the sick child of Europe. Now it is considered almost a model child. Living standards have improved beyond all recognition and bear comparison with most West European countries. If they are lower than in West Germany and considerably lower than in Switzerland, the only occasion for surprise is that they should be considered anywhere near that league. For the past decade, Austria has managed to maintain a higher average growth rate (4.3 percent per annum) than the OECD average (3.2 percent), while holding prices well below the OECD average (6.1 percent compared with 9.7 percent per annum). Unemployment has been kept down to 2 percent. What is more, increasing affluence has been fairly evenly spread, both socially and regionally. By and large, and despite some discontent due to ever rising expectations that, since the seventies, have no longer been matched by the rate of progress, there is a feeling that "we never had it so good," "let's keep things much as they are." Elsewhere, say in Italy or Britain, people may go in for strikes or disruption—even throwing bombs. Such antics and excesses are frowned on here in Austria, or considered irresponsible or even mad. You cannot, after all, have cake, or more of it, unless you first bake it. Happy little Austria!

What is the secret? Of what elements was success compounded? Some would say that we were lucky, pointing first to

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This article, by Dr. Theodor Prager, of the Vienna Chamber of Labor and sometime Fellow of Churchill College, Cambridge, is a slightly abbreviated version of one that appeared in *Policy Studies*, London (January 1981).

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Marshall Aid—more per capita than any other country bar Greece which had a civil war and appeared to be turning Red at one time;[1] and, second, to the great good fortune of obtaining the State Treaty and being obliged, as part of the price that was, however gladly paid, to adopt everlasting neutrality in foreign affairs, thereby helping to develop international trade and traffic. Good luck aside, there was also sound management in economic and social affairs, of which more presently. But above all, so it is said, Austria evolved a system of "social partnership" which has ensured social peace and the smooth running of public and industrial life. Perhaps the tone was set by the Conservative Chancellor of the second coalition government after 1945, Julius Raab, when he said, "I'd rather have the Reds at the negotiating table than out in the streets."

What is "Social Partnership"?

Sozialpartnerschaft, then: How does it work, how effective is it, what problems are there, and does it have any unfavorable side effects?

We can describe it, loosely, as an informal system of consultation and cooperation between the main groups in society—or, rather, between their representative institutions—in order to accommodate their respective material needs and aspirations while trying to promote continuous growth and hence the wherewithal for a satisfactory level of profits, rising wages and salaries, and the required social infrastructure; or, looking at it another way, to maintain sufficient public and private capital accumulation to secure full employment and rising standards of living.

The aims are similar in all industrial countries that like to be regarded as welfare states. It is the means, or instruments, that have attracted interest: the many-tiered, and institutionalized channels of consultation and communication, the informal yet ritualized forms of negotiation and cooperation between the "social partners" whose decisions, while not usually legally binding and not backed by formal sanctions, are nonetheless effective. Everybody abides, and expects others to abide, by the rules of the game, which then become a firm basis for expectations and further decision-taking. This applies above all to incomes policy which, in conditions of uncertainty,

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has provided a firm plank for decisions on such crucial matters as investment, fiscal and monetary policies, social policy, and *Konjunkturpolitik.* Clearly, all the policies interact on each other. Yet incomes policy or, more precisely, wages policy and wages behavior have been crucial. One could be fairly sure, in these last 30 years, that wages would "behave themselves" and not get out of hand.

"Social partnership" might unkindly be called an elaborate and intricate form of class collaboration. Chancellor Kreisky—like many Viennese, given to amateur psychoanalysis—has described it as a "sublimation of the class struggle." Others have remarked that "in Austria everything is institutionalized and bureaucratized, including the class struggle, and so it does not take place." In fact, the system and its emanations are neither as noble as the term sublimation nor as free of friction and conflict as the latter quip might suggest.

The Emergence of the System

Let us try to pinpoint some of the structural elements that have contributed to the emergence of the system.

(1) Austria has a federal political structure. While there is a good deal of provincial and local autonomy, and hence push and pull, centralism is the dominating force, as it is in Italy or France, but not in West Germany or Switzerland. The provinces, like Styria or the Tyrol, can refuse to contribute to some infrastructural ventures; they can delay policies through their influence in the Second Federal Chamber; and they can hinder the implementation of some policies (on environmental norms or on regional planning) which do not constitutionally fall within the "competence" of the central government. But ultimately they have to play along, if only because they are dependent on a—negotiable—share of the federal tax revenue.

(2) Bureaucratic centralism reigns supreme in the general sociopolitical structure. In both employers' and employees' voluntary and statutory organizations, power is heavily concentrated at the top. Regional or branch interests have their say, but ultimately what the central leadership says goes. This is equally true of other group or corporate interests, such as those of farmers, the medical lobby, and the public but largely autonomous radio and television corporation—all of

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which incidentally are under conservative control. Above all, the so-called *staatstragende Parteien,* the two main political parties, which permeate the very sinews of the state and of important sectors of the economy, and which like to depict themselves as the main pillars of democracy, have a strong built-in bias toward bureaucratic centralism, where qualities such as loyalty and discipline are highly valued. If this is a little more pronounced in the Socialist (in fact Social Democratic or Labor) Party than in the People's (formerly Christian Social, in fact Conservative) Party, that is because the former, traditionally the party of the underdog and for so long up against the traditional forces of capital, crown, and church, has now become part of the establishment. Its position is no doubt partly attributable to the realism displayed by its leadership, and, more importantly, to the long tradition of loyalty and discipline shown by the mass of the membership—which numbers 700,000, as many as in West Germany which has a population eight times as large. Austria still has a strong feudal legacy. In dealings with the local bureaucracy, e.g., in matters connected with housing or social insurance or even job advancement, loyalty is remembered and can be repaid in a variety of ways.

(3) Nationalization: steel and coal, electricity, refining, major enterprises in electrical engineering and basic chemical production, the manufacture of railway locomotives, Danube shipping, airways, etc., have all been nationalized since 1946; so have the main commercial banks. (Railways and the post office were nationalized long ago, in the imperial era.) Together with the various municipal enterprises, including gas, water, local railways, etc., the public sector accounts for a good third of all economic activities, and for rather more of total investment. The extent of nationalization is greater than anywhere else in Western Europe; and the large government sector has made the conduct of economic affairs even more of a political exercise than is usual in this age of state interventionism. Although the nationalized enterprises are autonomous entities and largely run on ordinary commercial criteria, the government of the day naturally has considerable influence on appointments to the governing boards and on general questions of management. As the government is therefore held

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responsible for success or failure, it tries to ensure that people are kept on the payrolls even when there are insufficient orders; better still, it provides orders in the form of public investment schemes, or helps to obtain foreign contracts by means of trade agreements, export promotion, and the like.

(4) The Chamber system: the Chamber of Commerce dates back to the 1848 revolution when absolutism restored its sway but permitted the rising merchant and industrial classes to organize themselves in a corporate manner. After 1945, renamed the Chamber of Trade and Industry, it was vastly extended in scope and power: every employer, large or small, has to belong and to pay contributions. It has an extensive apparatus throughout the country and advisory agencies in every major trade center abroad. It also has a special status in the numerous consultative councils with which government departments like to surround themselves. It was, in fact, the main domestic instrument in postwar capitalist restoration, for it helped to re-create from above, by means of the law, what the impoverished and morally shaken remnants of the big bourgeoisie might have been unable to accomplish by the mere operation of market forces: the "clarification" and "normalization" of property rights and the gradual resumption of the process of capital accumulation.

By contrast, the Chamber of Labor was established only in the course of the social reforms which followed the First World War, on the trade union movement's demand for the establishment of some countervailing power. When it was re-constituted after 1945, the Chamber of Labor also expanded to cover almost the whole of the economy, so that practically all workers and employees must belong and pay dues; and it obtained equal rights of consultation with the Chamber of Trade and Industry. While the latter is dominated by Conservatives, the former is overwhelmingly Labor, and policy coordination with the (equally Social Democrat-oriented) trade unions is ensured by the fact that leading trade unionists are high on the list of candidates for election to the Presidium, which controls policy.

Both Chambers—as well as the Chamber of Agriculture and various professional bodies where membership is equally mandatory—are federal in form but, like every other

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important socio-political organization, highly centralized in fact; their governing and steering boards are equipped with sufficient power to make their constituent parts in regions and branches—to which they are in theory accountable—conform. Since ability to toe the line is the most important qualification for aspiring functionaries (elected) and experts (appointed), it is seldom necessary to employ coercion. And since reliability and competence open the way to a wide range of possible appointments in the social insurance institutions, in nationalized industry and banking, or in local and central government, there is every incentive to internalize, as the Frankfurt School has it, the president's or chairman's will and make it one's own.

Streamlined Trade Union Structure

But where do the trade unions come in? The answer is: almost everywhere, but primarily of course in determining wages and the rules governing conditions of work.

There are 15 unions, as in West Germany; 13 cover the various sections of industry, trade, and transport; and the other two cover public and private white-collar employees respectively. There are no rival unions. The various political persuasions are accommodated by way of officially recognized factions, all of which are represented according to strength, both in the electoral bodies and in the system of appointment within the organizations. Naturally there is rivalry and in-fighting, but by and large the system has held up to strains and stresses, and there have been no break-aways or rival ventures. Nor have there been any serious jurisdictional disputes, although new technologies and industries sometimes present problems.

Thus, on an enterprise or factory level, usually two unions—the industrial-branch union and the white-collar union—are concerned, not more. People working, say, in a chemical engineering firm would belong to the Metal Workers' union; people working in an oil refinery, to the Chemical Workers' union, if they are organized at all. The extent of trade union coverage is, on average, about 65 percent; but in medium-size and large industry, and in public transport and energy, it is much greater, as it is in multinational enterprises

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which like to present a friendly face and to work with the unions.

Collective agreements dealing with wages and working conditions are concluded between the trade unions and the industrial, trade, or transport "sections" of the Chamber of Trade and Industry. They are usually nationwide and provide a minimum floor; where there is union and/or shop steward strength at the enterprise or factory level, there is always extra provision for wages above that minimum, as well as for extra fringe benefits. In times of boom, or labor scarcity, this makes for a certain amount of wage drift. The stronger unions or individual plants act as pacesetters. After a while, the weaker brethren tend to catch up, minimum or lagging wages are raised, and within a generally expansionist setting the gap is narrowed again. The employers usually plead for restraint, but wage drift is not considered a major problem. Although the stronger firms go through the motions of protesting, they later recoup themselves by raising prices. Claims for higher wages and prices nevertheless have to go through the machinery of Joint Committee approval; and this is where the "social partnership" comes in.

The Parity Commission and the Vetting Process

Historically, the setting up of the Joint Commission machinery goes back to the late forties and early fifties when the government, the employers, and the unions concluded so-called wage-price agreements to keep things under control. The intention was to mop up excessive purchasing power, or to "grow into" the vast supply of money in circulation in an orderly fashion. Most basic necessities as well as other goods were at that time subject to official price control. To meet the clamor for "cost-covering prices," the latter were allowed to rise, step by step, while the workers were given what were said to be equivalent wage increases, supplemented by family allowances, rent subsidies, and the like. But, at one point (the fourth of the wage-price agreements) things backfired and there was a huge wave of strikes. The time had clearly come to introduce a more orderly and continuous means of dealing with the problem. By 1955, the State Treaty had been concluded, a low rate of exchange had given exports a fillip,

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and by 1957 Austria was well set on the road to an export-led boom.

The Joint (or "Parity") Commission for Wages and Prices was thus set up, embracing the Chambers of Trade and Industry, of Agriculture and of Labor, as well as the trade unions. The Commission (or rather its two constituent parts, one dealing with wages, the other with prices) had a purely voluntary character and no official or legal status. Its authority derived simply from the fact that it embraced the top representatives of management and labor; added weight was given to it by the participation of leading government representatives who did not take part in voting procedures but made their views known. In addition, the Central Statistical Office and the semi-official Institute for Economic Research were asked to provide facts and figures and to offer their opinions on economic trends. The exercise thereby assumed the dimensions almost of an act of state. And, since the purposes—and the terms of reference—were to observe and advise (but also to decide) on permissible wage and price movements, it amounted to the establishment of machinery for official wage and price control.

The procedure is roughly as follows: if a firm, or branch, wishes to raise prices, it has to put its claims before the committee and to give its reasons (usually by showing increased costs of raw materials, labor, etc.). Questions are asked, more supporting evidence is demanded, usually by the Chamber of Labor or the trade unions, and the issue is referred back. After a while—it may take a couple of months—there is further discussion. Decisions have to be unanimous, which usually means that the claim is only partly allowed. Naturally, firms try to stake as high a claim as can be plausibly argued—and then happily settle for about half.

What if the two sides ignore the committee's verdict and go ahead nevertheless? In theory, the government will then exert pressure, for instance by removing or reducing import duties. In practice, it has very seldom come to that. Firms, even powerful ones, like to stay on the right side of their own representative institutions, of the unions, and above all of the government. There are many ways of tapping state funds; through export-credit guarantees, subsidies, research

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promotion, etc. Morever, the government is a major dispenser of contracts from computers to school books, and is a particularly large customer of the building trade. So the "whip in the window" can stay where it is. Anyway, firms know how to achieve their targets; their cost calculations, which provide the basis for their price claims, usually contain an ample cushion.

"Social symmetry" is assured by the provision that wage claims too have to be vetted, in this case by the wages subcommittee of the Joint or "Parity" Commission. The Metal Workers' Union usually acts as pacesetter. Coordination with the top leadership of the TUC is easy, since the chairman of the Metal Workers' Union is usually also the TUC chairman; and there is an unspoken understanding that none of the other unions will act out of step. The unions—concerned to "adapt" wages to rising living costs, or productivity, or profits—play much the same game as the employers' side.

Naturally there is give and take, which is facilitated by the fact that everyone knows each other; they sit side by side in Parliament,[2] or on some social-insurance committee, or on the board of some nationalized or municipal enterprise, or on one or more of the numerous governmental and semi-governmental advisory committees. But there is a difference; while firms can go ahead with price increases after approval is given, wage claims are only "freed" for negotiation between employers and unions. Thus, there is a double sieve for wages and only one for prices. It sounds blatantly unfair, but in fact wages have kept up well. Against a background of expansion and rising prosperity, social peace has reigned.

Not that Austria has escaped inflation. Prices and wages have, in fact, risen 30-fold and more since the end of the war. But this is nothing compared with the experience of hyperinflation after the First World War, and it has happened in a fairly orderly fashion. The vetting machinery of the Joint Commission did not, perhaps, accomplish more than delay, and somewhat dampen and thus avoid, abrupt or steep increases in prices or wages. In general, real wages have risen considerably, as has productivity; and mass purchasing power has risen much more, owing to ever increasing numbers being drawn into employment.

Wages and prices were the starting point and the main

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concern of the institutions of "social partnership." But since these matters do not operate in a vacuum, it soon became evident that there were many related issues that could usefully be dealt with in a similar manner. Five years after the establishment of the Joint Committee and its two sub-committees, another was set up to deal with economic and social affairs. While similarly composed, this body draws more widely on expert advice. It seeks to analyze trends, to identify critical areas, and make recommendations. Among a host of other subjects, it has dealt with labor-market problems, budget developments, foreign trade and export promotion, research and development, regional planning, etc. Since both its full "political" members and its (by no means unpolitical) experts are from a wide variety of public and semi-public posts, or represent some institutional interest, the consensus reached in the Joint Commission tends to be reproduced in these other policy-making bodies. This helps to fashion a wider understanding on the conduct of policy, a common "underlying philosophy" that transcends party boundaries and makes for consensus politics.

Institutionalized "social partnership" has, in fact, survived the break-up of coalition government and has colored the single-party governments ever since. But it has also made much of political activity rather boring and has produced feelings of frustration and alienation in the population at large. There have been occasional, unexpected outcries and minor revolts by groups that have found themselves left out in the cold; in recent years, various citizen initiatives and spontaneous movements related to particular issues have more than once upset the applecart.

The Age of Reason

But by and large "social partnership" has proved a great success. For it was informed by what may be termed basic reasonableness, coupled with competent management of economic and social affairs. There is, first, the larger "reasonableness" of the established labor movement which, in the words of Denis Healey,[3] has jettisoned its Austro-Marxist luggage and settled for the mixed economy and the welfare state; while the employers' side, finding itself in a position of

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extreme weakness at the end of the war, was only too glad to accept some restraints in exchange for capitalist normalization. The political parties continue to maneuver for power; but many years of coalition government—emerging initially from the Four-Power Occupation and later from the need to stand together to attain full national sovereignty—have conditioned them to accept the idea of power-sharing. The "social partners" have, anyway, found it natural to cooperate in the larger interests of expansion and growth, accumulation and profits, levels of employment and living standards. Consensus politics have contributed to success, and success has confirmed the habits of consensus politics, both at national and at local levels. Memories of inter-war strife, of two civil wars, of Nazi rule, and of the "four elephants in a boat" have helped to keep at bay any temptation to impose one-sided, or what a vocal minority would consider one-sided, solutions.

"Reasonableness" has also prevailed on the more specific issue of wages. The unions have exercised restraint, being generally concerned to keep within the framework set by cost-of-living, productivity, and similar criteria. It has been claimed that wage policy was made to serve counter-cyclical aims: no excessive demands in times of boom, no undue moderation in times of stagnation. Incomes policy is also said to have been fairly egalitarian, aiming to reduce differentials. The evidence for this is not very strong, but there were certainly efforts to improve the lot of traditionally low-paid groups, such as women textile workers and employees in the catering trade, especially in the early post-war period of stringency.

Wage restraint and trade union support for wage restraint have, of course, been central to incomes policy; in fact, incomes policy has amounted to little more than that. There was never any attempt to submit professional incomes (those of lawyers, doctors, architects, and so on), still less profits, to comparable restraints; and, while official checks on price rises helped to keep inflation under control, the general level of prices has always been considered too high. So too were the ensuing profits, and so was the rate of capital accumulation. (The share of investment in national income has for decades been among the highest in the industrialized world, never less

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than 25 percent and sometimes as high as 30 percent, comparable to those of another model welfare state, Norway, and with that model corporation state, Japan.) One of the architects of Austria's "social partnership," trade union President Johann Böhm, remarked on this in 1957, at the time of the so-called economic miracle: "Investments," he said, "are being financed through high prices, out of consumers' pockets. It is the broad mass of workers and employees that pay for the new machines, factory halls, lorries, office equipment, the lot, by way of the prices of the goods they buy. As a result of our property order, the fortunes that are being thus created remain in the hands of a small group of employers, whose wealth goes on growing while the workers and employees enjoy rising standards of living but cannot of course hope to accumulate wealth."

If the small person had gained no more than that, "social partnership" might not have held up so well. But in conjunction with competent over-all economic management by the government of the day (whether coalition, until 1966, or Conservative, until 1970, or Labor, uninterrupted since then), it also helped to ensure rising and full employment. A few of the hallmarks of successful economic management may be briefly mentioned: good use was made of Marshall Aid to re-equip and vastly expand basic industry (mostly nationalized). Long-term rolling investment plans not only helped to strengthen the economic and social infrastructure but also demonstrated the government's determination to keep up demand, by careful but substantial pump-priming when necessary. Private investment was encouraged by all kinds of tax concessions, interest subsidies, export guarantees, and the like. The schilling's rate of exchange was pinned to a low level to encourage exports at a time of world-wide expansion and was allowed to rise considerably during the seventies in the era of stagflation, thereby helping to keep domestic inflation in check without harming exports.

Foreign business was encouraged to come in by creating a climate of confidence (absence of strikes,[4] social peace, various state incentives from the provision of low-rent housing to extra tax credits, unfettered transfer of profits abroad, and so on). During the recent "socialist" era, the government—apparently

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believing that Big is Beautiful—has been particularly generous, and in consequence there is now hardly a major multinational corporation that has not established itself here, often by setting up production plants as well as trading outlets.

At the same time, income disparities have tended to widen; and new groups of people, the "success generation," the "social risers" and "public functionaries" (in party, union, Chamber, nationalized industry, social insurance institute, semi-public banking, private insurance, etc.) have acquired status and a share of the spoils. Fiscal policy has not brought any redistribution of incomes toward the less well-off but, within the framework of expansion, there has been more social mobility, so that the young, the bright, the efficient, the sharp ones, and the conformists have bettered themselves out of all recognition. Many shop stewards now sit on governing boards and are able to feel important. Where the degree of organization and of militancy have been high, the unions have indeed always had considerable influence, not only on internal matters but also on industrial and commercial policies. And while there has been a certain amount of window-dressing in regard to employment levels (foreign "guest workers" being drawn in and pushed out as the situation required, redundant workers being given token work or put on training schemes, etc.) there has in fact been practically full employment ever since the fifties. That was no small achievement, and was highly conducive to a general acceptance of the principle of "social partnership" and its practical consequences—in terms of a high price level, high rates of taxation, stiff social insurance contributions, discipline at work, and respect for law and order.

The Balance of Class Forces

Looking at the general results, one may nevertheless ask: How far are they really the fruit of these elaborate (if largely informal) arrangements which constitute "social partnership"? Neither West Germany nor Switzerland has anything like it, yet they have been no less successful with regard to growth, prosperity, living standards, etc.; and in inflation—though not full employment—they have done quite as well if not better. Both Germany and Switzerland are highly capitalist countries;

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they have long been dominated by huge concentrations of capital; they are both welfare states; but above all they are "corporation" states. The German trade unions are quite strong and often militant, but they have almost invariably been on the defensive. There was a brief spell after 1945 when they exerted sufficient pressure to get some regional governments to pass legislation nationalizing heavy industry (which the then Occupation Powers vetoed and had replaced, instead, by some degree of *Mitbestimmung*); otherwise they have never looked like achieving any major structural reforms. The strength of capitalism was such that, time and again, major strikes were answered by lockouts, something quite unheard of in Austria where strikes have been few and mostly successful.

In Austria the "balance of class forces"—in Otto Bauer's phrase[5]—was much more even. After nationalization there were no private concentrations of capital worth speaking of; beer barons and sugar princes were all that remained. To restore private property to its accustomed rights, to set the process of capital accumulation going and to restore "normalcy," cooperation with the unions was essential. To keep wages under control, prices also had to be kept under control. To ensure the translation of government policy into effective practice, to keep social conflict under control, the labor movement had to be brought in not only at the top (coalition government existed at a time when the Conservatives had a clear overall majority) but also on the shop floor and at many intermediate levels (e.g., on tripartite and employer-union "parity" committees). A vast and intricate network of political, social, and economic threads have facilitated a variety of bargains, give-and-take arrangements, mutual favors and dependencies. A partnership on such terms goes far beyond the commoner forms of social contract or pact, which are usually confined to particular issues and limited periods; it becomes a way of life; it conditions the climate; and it has proved a success because everybody has wanted to make it a success.

Possible Side Effects

Skeptics may feel that it is all too good to be true. It would certainly be inappropriate to suggest that Austria's "social

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partnership" can serve as a model for other countries. Since it emerged from some special historical and structural conditions, it would in any case be difficult to adopt or apply elsewhere. But it also has some disturbing features.

Economically, there are strong institutional pressures to protect both established capital investments and existing jobs. These pressures have led to various kinds of open and hidden subsidies that have hampered mobility and cemented existing structures. The attitudes of live and let live, of *quid pro quo,* whether in the state and municipal bureaucracy, in social insurance and corporatist institutions, or in political parties and public, semi-public, and private enterprises—or in the dealings between them—have often exposed the ordinary citizen or consumer to high prices and/or low standards of service. They have also weakened the incentive to innovation.

Industry thus finds it increasingly difficult to compete at home or abroad. Import penetration by foreign firms has grown enormously, and Austria's share in world trade has declined, so that the gap between imports and exports has widened and is no longer covered by income from tourism. Hence the balance of payments has deteriorated badly.

Socially, the system has made for peaceful co-existence between the major social groups; but some of the smaller groups have fallen by the wayside. Between the private chain store and the "co-op," the small grocer is ground down. Between big agribusiness and the big firms supplying farm machinery, fertilizers, etc., the small farmer goes to the wall. The unskilled and least vocal workers, especially females, get no more than the minimum wage and are often cheated even out of that. Foreign "guest" workers are given the hardest, nastiest, and worst paid jobs, are exploited by slum landlords, bullied by the bureaucracy and the police (if not by their local fellow workers), and are the first to be fired when the labor market turns.

Politically, the system of "social partnership" has reduced the role of Parliament (which often only rubber-stamps decisions or agreements made in the extra-parliamentary sphere) and has undermined the credibility of the very political parties which play such a central—if constitutionally unacknowledged—role in the conduct of the nation's affairs.

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When the great battalions of industry and labor have come to an agreement, who are the political parties to disagree?

This is not to suggest that the unfettered play of market forces leading to strife and confrontation—with the government not so much holding the ring as restraining the labor movement from fighting back—would be a better alternative. I would merely warn that the Austrian model of "social partnership," may have had some undesirable side-effects. Unless contested and modified, so as to bring much wider sections of the population into the process of discussion and decision-making, it could quite easily lead to an illiberal form of corporation.

NOTES

1. Austria had only the Russians in its eastern provinces. According to a popular anecdote, Monaco asked France to loan it some Communists, so as to qualify for Marshall Aid.
2. Members of trade unions, chambers of labor, commerce, and agriculture make up a large proportion of MPs. In the present government, senior ministers like those for Trade and Industry, Building and Technology, Social Affairs, and Science and Research all come from the Chamber of Labor, or are chairpersons of a large trade union. The speaker of the House is chair of the Metal Workers' Union and the TUC.
3. *The Guardian* (London) March 30, 1980.
4. To take the last five years: average time lost through strikes in minutes per person per year amounted to (best and worst years, respectively): 1 and 99 in West Germany, 3 and 47 in Sweden, 61 and 141 in France, 70 and 311 in Britain, 341 and 690 in Italy—and 0 and 2 in Austria! Only Switzerland and the Netherlands had comparable records, but Austria beat them all (ILO *Yearbook of Labour Statistics, 1979).*
5. Otto Bauer was the leader of the Social Democratic Party in the inter-war years and the most famous representative of "Austro-Marxism."

The state is merely a frontal trench, an advanced line of defense; behind it is a powerful fortress of concrete pillboxes.... The fortress consists of ways of living and thinking, ambitions, morality, and habits which people have absorbed; this is what makes society resistant to catastrophic irruptions arising out of economic causes.

– Antonio Gramsci, *Prison Notebooks*

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(continued from inside front cover)

Some of our friends are skeptical about the wisdom of releasing these figures on the basis of a mere month's experience. The result, they say, might simply be to induce complacency and thus to slow down the influx of members and contributions in the months ahead. This is of course a possibility, but we do not think it likely. We have found over the years that MR readers like to be told the truth. They support MR (including the Press) because they believe in what it has been trying to do these last three decades. When things have been bad, they have shown a remarkably consistent readiness to pitch in and help. But they also want to know about any changes for the better that may occur, and good news has never deterred them from continuing to help. Sometimes, indeed, it seems that good news is an even stronger incentive than bad, and we are perfectly willing to take the chance that this will be the case now. As far as the left is concerned in times like these, there is nothing quite so encouraging as participating in an effort which is moving forward.

Responses to the annual Associates appeal letter always include in addition to financial contributions many heartwarming letters of encouragement. Lack of space prevents us from quoting from a representative sample, but we would like to share with you two short letters which successfully capture the spirit of this whole correspondence. The first is from a reader in Toronto:

Thinking about renewing as an Associate, I realize how much your magazine has meant to me. I get a lot of good leftist material; I thumb through most of it and set it aside to read later. But I latch onto *Monthly Review* and scarcely put it down until I have read every word. Why? You have no pictures and no come-hither headlines but I can practically count on getting something relevant, giving deeper insight, and stimulating further thought and interest from every article. Thank you for many years of providing this, and long may you continue.

This summer's issue, with the articles on the Vatican by Marzani and on women's emancipation by Molyneux, is especially noteworthy. Both go into enlightening depth and treat their subjects with a comprehensiveness that makes the whole subject much clearer. And, moreover, I get the impression that you are trying successfully for a less academic and technical vocabulary and, without relinquishing content, for a more general appeal.

The second letter is from an old friend and long-time subscriber who retired in 1969 from teaching at a black college in Virginia:

Last winter old age and Reaganomics cut me off from all my sources of books. While my wife is a very delightful companion, a fellow needs more than that on a desert island. Suddenly I remembered that we have MRs going back to 1969. So I started reading them. A treasure!

Actually it's very unfair to class Louisa County [Virginia] as a desert island. The fight against the local nuclear plant, which a few of us started in 1978, now has wide support and scored a substantial victory in March. As for us, we have lots of friends, mostly young, who drive us around and lavish love on us in splendid ways. Nevertheless, I advise all travelers that a desert island would be endurable if they have a file of MRs.

Congratulations on what you and Leo and the others have done!

By the time this issue of MR reaches subscribers, we will have completed the move from 62 West 14th Street to 155 West 23rd Street, New York, NY 10011. We're on the 12th floor of the new building, and will be glad to see any of you who may have business to conduct or just want to look around. (Our telephone number is unchanged: 212-691-2555.)

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